

**Personal Finance**

Week 2:  
The true costs  
of rent-to-own

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# Think rent-to-own sounds like a good deal? Think again

**T**he Packers are in the playoffs. Wouldn't it be nice to watch the game on a new big-screen television?

You've seen the ads. You can rent to own a big-screen television with no credit check and have it delivered free in time for the playoffs. That's an offer that is hard to resist, especially at playoff time.

A major Wisconsin rent-to-own business is offering a 52-inch high-definition television for a little over \$200 per month. After 24 months, you will have paid about \$4,900 in rent and you will own the television.

However, you will have spent over three times what it would cost you to simply purchase the same television.

A survey of prices from a variety of traditional retailers and online vendors reveals that the same television can be purchased for between \$1,250 and \$1,400.

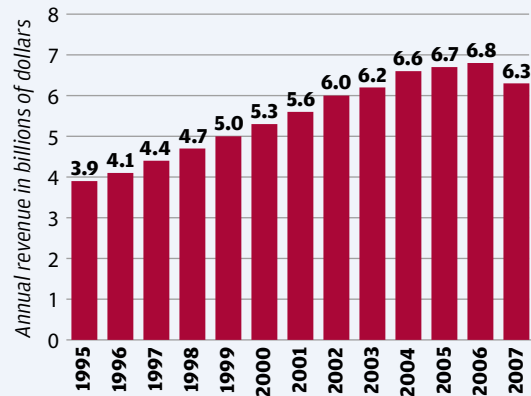
The annual interest rate on renting to own this television is more than 150 percent. Instead, you could set aside \$200 a month and in six to seven months, you could simply purchase the TV. An even better alternative might be to buy a nice 19-inch television from a local vendor for about \$200.

What about the Packer game? Plenty of local establishments feature big-screen televisions. Even if you buy a round for the house after each Packer score, you'll likely be money ahead.

Despite the high cost to consumers, the rent-to-own business is flourishing. According to the Association of Progressive Rental Organizations, 3.2 million households spent \$6.3 billion at the 8,500 rent-to-own stores in the U.S. and Canada in 2007. The following chart illustrates the growth in the rent-to-own revenues since 1995.

## Rent-to-own a profitable industry

Annual revenues in the U.S. and Canada from 1995 to 2007



Source: Association of Progressive Rental Organizations, <http://www.rtohq.org/>

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