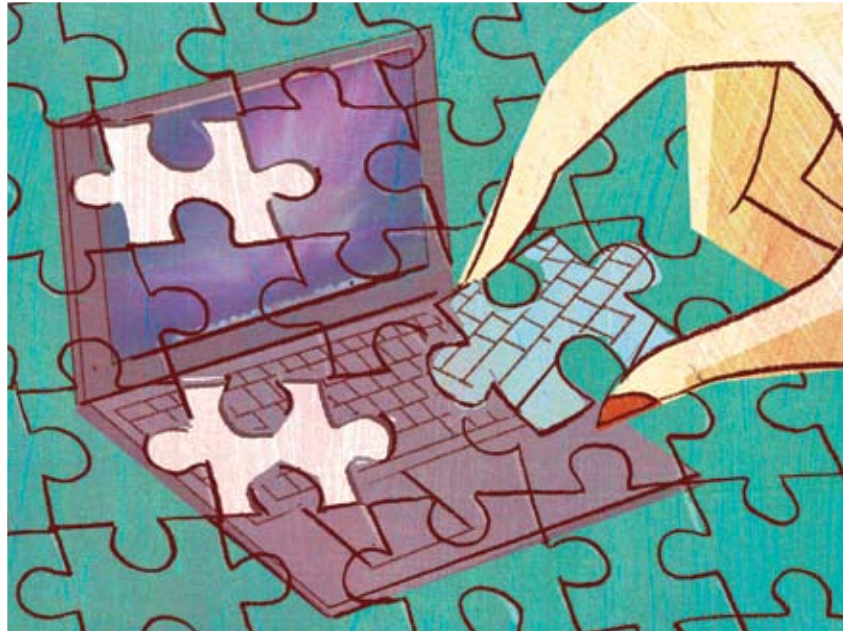


The anti-plastic

With credit tight, layaway is back. And it just might save you money.



Remember layaway? Your mom might have used it back in the day to buy that prized dinette set or the family's first color TV. But layaway never went away and now, with budgets busting at the seams, it's back—and better than ever in some cases. A recent survey found that almost half of Americans are whipping out credit cards less often. So merchants are offering buyers another way to pay. Extended-payment plans are popping up in more stores and online, too; even some travel sites (LayAway-Travel.com) and concert festivals (Country Thunder, Bonnaroo, and Coachella) have those programs. With the holidays approaching, now's a good time to get reacquainted with layaway.

How does it work?

The basics remain the same: You pick

a big-ticket item (or a bunch of smaller-ticket items), put a bit of money down, make payments for several weeks or up to a year until your purchase is paid off, and then take your stuff home.

Why choose layaway?

You can spread purchases over several paychecks. Plus there's no interest charged, so you won't still be paying for that plasma TV three years from now. Layaway can be especially helpful for holiday shopping. You can nab hot items before they get snapped up and avoid the crowds vying for the last laughing/crying/break-dancing Elmo. And what better place to hide gifts from prying eyes than the backroom of your favorite store?

Where can I use it?

Layaway plans at local merchants and stores like Kmart, Burlington Coat

Factory, and Sears have been kicking around for years. And some are new and improved. Starting in October, Kmart and Sears (which are owned by the same company) are upgrading their plans in response to customer demand and will offer online layaway.

The Internet is a fast-growing arena for layaway plans. ELayaway has partnered with more than 700 online merchants (Apple, Hyatt Hotels, and Home Depot, to name a few) to offer layaway options. Lay-Away.com has a similar service, with an emphasis on electronics and appliances. You can even put your next vacation on layaway. Request a trip quote on LayAway-Travel.com and take up to a year to pay.

You can plan ahead for a big concert and take your time paying for the tickets. Tickets for festivals like Coachella go for as much as \$269; with a payment plan, you might be able to take the family.

What are the drawbacks?

You might have to pay fees. Most layaway plans charge a cancellation fee. We reviewed nine plans and found that their fees range from just \$5 or \$10 (at Burlington and Baby Depot and at Kmart and Sears, respectively) to as much as \$150 (at LayAway-Travel.com; fees there start at \$50). Or they might be a percentage of the total purchase (at eLayaway.com, 10 percent or \$25, whichever is less). If you cancel concert tickets, you might forfeit all the money you put down. Some layaway plans also charge service fees of \$5 or a small percentage of the merchandise total.

Some stores honor at least one price adjustment if an item goes on sale.

But the adjustment period is usually limited to a couple of weeks or less.

- You will forfeit any funds you could have accumulated by saving the cash in an interest-bearing account until you had enough for your purchase. And if you pay with cash, of course, you don't pay any service fees.
- Like gift cards, layaway payments could go poof if a store goes belly up.

How can I get the most out of layaway?

- Set a realistic budget.** There's no sense in making a down payment on

something you can't afford to pay off, so think before you buy.

- Sign up for automatic billing.** Missed payments can send your merchandise back to the sales floor; e-mail reminders help, but you can sign up to have payments automatically taken from your checking account.
- Bundle your items.** If you're shopping in a store that charges a flat layaway service fee, plan ahead and include several items in the same transaction.
- Shop early.** You'll beat the crowds for the best selection, especially around the holidays.

When NOT to use a debit card

In-store shoppers now rely more on debit cards than credit cards to make purchases. But if you're using your debit card for shopping this holiday season, here are some dos and don'ts you need to know.

DON'T use debit cards for big purchases. They don't offer the same protection that credit cards do. Credit cards allow you to reverse or dispute charges, and some will even extend the length of warranties.

DO watch what you spend. Or you could get hit with nasty overdraft charges. New laws that restrict overlimit fees on credit cards don't apply to overdraft fees on debit cards. And banks often enroll debit customers automatically in overdraft protection programs, which can carry an annualized interest rate that exceeds 3,500 percent.

DON'T use a debit card online. If you use a credit card, your liability for unauthorized charges is capped at \$50, no matter what. If your debit card is lost or stolen, it must be reported within two business days to limit liability to \$50. If a lost or stolen

debit card is reported within 60 days, liability can go up to \$500. If an unauthorized transaction is not reported within 60 days of the statement date (and the card hasn't been reported lost or stolen), you're on the hook for charges made after the 60th day until the report is made.

DO click on "credit" and sign for payments instead of giving a PIN. Card companies might extend the same zero-liability protection to debit cards as they do to credit cards if the debit cards are processed like the latter, but PIN transactions might not have that protection.

DON'T link your debit card to an account with a lot of money. Thieves can empty your debit-card-linked checking account, so keep just enough in the account to cover current purchases.

DON'T use prepaid cards. Often labeled as debit cards, they have even skimpier fraud protection than debit cards and carry lots of fees, including dormancy and monthly fees. If you plan to give money as a gift, hand over cash instead.

WATCH THOSE LATE PAYMENTS!

If you love rewards cards, you'll hate this: Some cards are now erasing your points if you pay late. Here are a few examples.

DISCOVER If you make two consecutive late payments, you lose all frequent-flyer miles.

AMERICAN EXPRESS BLUE and BLUE SKY Beginning in September 2009, cardholders who are late paying their bill lose rewards points earned for that billing cycle. If the account returns to good standing, the points can be reinstated for \$29 for each month of points that you want back. But you would have had to have charged at least \$2,000 during that month to make it worth \$29.

CITIBANK It's adopting a similar practice. If you make a late payment on Citi credit cards that earn ThankYou points, the points you've earned might not be available for redemption until the balance due is paid. There might also be a reinstatement fee for each billing period you're late.

CREDIT CRUNCHED

Angry with your big-name credit-card company? Cards issued by credit unions and regional or community banks tend to have better rates and terms.