



## Lenders Insurance Solutions Group LLC

### **“Pay It Forward”**

The phrase, “Pay It Forward”, is not new. It’s been a title to a movie, talked about on social media and has been in the news. If you Google “Pay It Forward”, you’ll find this definition: “respond to a person’s kindness to oneself by being kind to someone else.” So similarly, “being kind to oneself” or “Pay it Forward” may also apply when your member finances their vehicle and their new investment by including a VSC with their auto loan.

Financing “after market” products is not new; however, the main objection you may hear is, “why should I pay finance charges on a VSC”? This objection may be subjective until your member understands the value of “Paying it Forward”. Many people believe that it’s a smart financial decision to pay cash for an appreciating asset (such as a home) and finance a depreciated asset (such as a vehicle). The same logic applies to financing the cost of a VSC with the auto loan. The member will be purchasing a VSC at today’s price and, during the ownership of the vehicle, hedge against inflationary cost of parts and labor. This is also true when they finance the VSC along with their vehicle loan. Here are a couple of “sales aids” that may address the “I don’t want to pay the extra financing for a VSC” objection:

1) Provide a quote option for your member.

- Run 2 auto loan quotes. First “with” a VSC and then “without” a VSC.
- Be upfront and explain the cost difference between the two quotes.
- Once this is done, explain how the difference of the financed VSC is minimal compared to the annual increase of parts and repairs. Show them the inside of the CU Certified brochure with the visual of “Typical Repair Costs”.

2) Provide more than one VSC option (see examples).

- Change the term and type of plan based on their vehicle type, reliability, driving habits, mileage on vehicle at time of financing, etc. Show no more than 2 or 3 options to avoid confusion and/or additional objections.

Example (1): 2019 Chevrolet Malibu

- Current mileage of 59,995; Comprehensive 60/100,000 plan = \$2,469 (Remember to include the finance charge).
- Current mileage of 79,995; Comprehensive 36/36,000 plan = \$2,824 (Remember to include the finance charge).

Example (2): 2017 Ford F-150 Truck

Current mileage 109,995. 36/36,000 High Tech plan = \$2,179

Now, compare these to the cost of an A/C System repair at \$3,200\*, Timing Chain at \$2,500\* or a combination of ABS/Brakes and Computer Module at \$2,550\*

The reality is that most of us think about “price as it is today”. Comparing today’s price to “Pay it Forward” may help them identify with the high cost of parts/labor for their future driving needs.