Surprise! One CIBC Costco Mastercard Perk That's Easy to Overlook

Description

It's easy to get dazzled by the new **CIBC Costco Mastercard**.

With no annual fee, three bonus earn rates (3% for restaurants, 3% for Costco Gas, and 2% for Costco.ca), and mobile device insurance, this card carries a heavy punch, one that certainly outdoes its predecessors.

Amid all this glamour, there's one perk that's easy to overlook: with this card in your wallet, you can take advantage of CIBC Pace It™, a low-rate installment plan.

What is CIBC Pace It™? And is it even a "perk"? Let's take a closer look.

What is CIBC Pace It™?

CIBC Pace It™ is CIBC's very own installment plan for credit cards. Any purchase above $100 is eligible, and you can choose from three plans:

- 6 monthly payment plan with an interest rate of 5.99% (7.99% for Quebec residents)
- 12 monthly payment plan with an interest rate of 6.99% (8.99% for Quebec residents)
- 24 monthly payment plan with an interest rate of 7.99% (9.99% for Quebec residents)

Each payment plan comes with a 1.5% installment fee applied to the purchase price (you don't pay an installment fee if you live in Quebec). If you miss a payment, CIBC will charge your card's interest rate to the unpaid portion.

Can you save money with CIBC Pace It™?

Well—it's complicated.

With the CIBC Pace It™ program, you'll still pay money in interest. So, *no*, you're not saving money. But, when compared to the CIBC Costco Mastercard's interest rate, 20.99%, you'll pay less in overall interest.

To understand what I mean, let's look at an example.

Let's assume you make a purchase for $1,000, and you choose one of CIBC's installment plans. No matter what plan you choose, you'll pay a 1.50% installment fee, or $15. Here's the cost breakdown for each plan.

6-month plan:

- Monthly payments: $169.59
- Total payment: $1,032.54
- Total interest + fees: $17.54 + $15 = $32.54

12-month plan:

- Monthly payments: $86.53
- Total payment: $1,053.36
- Total interest + fees: $38.36 + $15 = $53.36

24-month plan:

- Monthly payments: $45.23
- Total payment: $1,100.52
- Total interest + fees: $85.52 + $15 = $ 100.52

Now, let's say, instead of choosing the Pace It™ plan, you charged $1,000 to your credit card. At an interest rate of 20.99%, along with similar monthly payments, here's how much you'd pay in interest for each of the periods:

6 months with a 20.99% APR

- Monthly payment: $169.59
- Total payment: $1,045.51
- Total interest paid: $45.51

12 months with a 20.99% APR

- Monthly payments: $86.53
- Total payment: $1,105.35
- Total interest paid: $105.35

24 months with a 20.99% APR

- Monthly payments: $45.23
- Total payment: $1,244.99
- Total interest paid: $244.99

So, yes, if you choose to use CIBC's Pace It™ program, you could save on interest. Even with the installment fee, you'll still save money when compared to charging it directly to your credit card.

Should you use the CIBC Pace It™ program?

This program benefits you only if you expect to carry a large balance on a credit card (which I don't recommend). In this way, you pay less interest when compared to your card's traditional APR.

But the real question is—if you need to spread a purchase over 6, 12, or 24 months in order to afford it, *do you really need to make this purchase?* I understand that some purchases require additional financing such as emergency expenses or home renovations. But others, like buying new furniture or exercise equipment, might require you to save money, rather than taking on debt to buy it now.

The savviest way to use a credit card is to never borrow more than you can afford to pay back. In this way, you pay off your statement balance before the due date, thus never incurring interest. You don't need an installment plan, because you have money available to cover the charge.

That's why I would only use the CIBC Pace It™ if you absolutely must borrow money. The plans ensure you pay the least amount in interest, and the low monthly payments help you pay off your charge. Just don't abuse it: if the purchase isn't essential, it's not worth taking on debt.

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