

Read contracts carefully before signing

Written by Jason Alderman
Thursday, 16 July 2009 15:36

When people hear the word "contract," some start daydreaming about signing a multimillion dollar deal with the NFL while others recall how their knees shook the day they signed that first car loan. If you think about it, though, many of our day-to-day decisions involve contracts.

Broadly defined, contracts are mutually binding agreements between two or more parties to do – or not do – something. It could be as simple as buying coffee (you agree to pay \$2.50 and the restaurant agrees to serve you a drinkable beverage); or as complex as signing a mortgage to which you'll be tied financially for the next 30 years.

Here are a few considerations to bear in mind before entering any agreement:

Sometimes contracts are formal, signed documents that outline specific conditions and penalties if those conditions are not met: For example, if you don't make your mortgage payments, the lender can foreclose on your house. Other times they are verbal or implied agreements: If the coffee is cold, you can ask for a refund.

It's important to anticipate things that might possibly go wrong, such as:

- You sign a lease but later realize you can't afford the rent or don't like the neighborhood.
- You buy a car you can't afford and when you try to sell it, the car is worth less than your outstanding loan balance.
- You buy something on sale and don't notice the "No returns on sale items" policy.
- You rent a car and later learn you accidentally agreed to optional insurance coverage you didn't want or need.
- You join a cell phone plan and later realize it has stiff early cancelation penalties.
- Financially inexperienced teenagers and young adults often get into this type of trouble, so make sure you discuss the implications of signing contracts with your kids well before they turn 18.

Here are a few additional tips:

- Make sure anything you sign contains no unfilled blank spaces, even if the other party promises to fill them in a certain way. (To prevent misunderstandings, many contracts specify you must initial by key provisions to acknowledge your full understanding.)
 - Don't be afraid to ask to take a contract aside or bring it home for more careful analysis or to get a second opinion. A lawyer or financial advisor can help.
 - Don't be pressured into signing anything: If salespeople try that tactic, walk away.
 - Make sure everything you were promised verbally appears in writing. This is particularly important for terms like interest rates, down payments, discounts and penalties.
 - Keep a copy of every document you sign. This will be especially important in cases of contested rental deposits, damaged merchandise, insurance claims, extended warranties, etc.
- Take along a "wingman" if you're making an important decision like renting an apartment or buying a car. It's wise to have someone there to help ask questions and protect your interests.

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Remember, contracts are designed to protect both parties. Just make sure you fully understand all details before signing on the dotted line.

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