



# Truck Stories

## A DISCOUNT THAT COST MONEY?

### **A Virginia department almost lost money by prepaying a truck and getting a discount.**

Surprised? So was the Department when we showed them the facts. In fact, they were doubly surprised when our Idea was to tell them to not borrow the money at all. They assumed First Bankers would try to “sell” them.

### **What the Department missed**

The Department knew it had to borrow money for 1 year to prepay the truck. But they forgot to calculate the interest they would pay to earn the prepayment discount.

This critical factor almost caused the Department to waste over \$2,000.

### **Background**

The County would pay for the new tanker when it delivered. And the manufacturer offered a \$30,231 prepayment discount. The truck would deliver in 1 year.

So, the Department needed to borrow the money for 1 year to earn the discount. Then, the County would pay off the prepayment loan.

The Department did not consider the interest of \$32,669.

This means the Department would have paid \$32,669 in interest to earn a \$30,231 discount.

### **What happened next**

The Idea Step analyzed all the pertinent facts and offered an idea that saved the Department \$2,348. They did not prepay the truck, did not borrow the money, and the County will pay for the truck on delivery.

*“We never caught the fact that we would have been paying more to get the discount. It seemed strange that First Bankers would actually suggest that we not borrow the money. It just goes to show you what these guys are made of.” - Chief Logan, Virginia*

**The Idea Step will point out money saving ideas. These no-obligation ideas are designed to help Departments save money...**

**And they do, our ideas save almost an average of \$7,500!**

To Learn More:

**[www.FirstBankers.net](http://www.FirstBankers.net)**

Call Toll-free: (877) 323-1776