

Payment Plans

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Key takeaways

- Payment plans work for any price tag.
- Payment plans are a gamble: you make money when customers complete payments and lose money when people cancel before you profit or when buyers who would have paid in full take a plan and then cancel early.
- A payment plan is not selling a cheaper thing — it's the same product with different payment terms.
- People often say no because of upfront cost, not total cost; changing payment terms can convert those nos into yeses.
- Payment plans can get most buyers to pay the highest price by reducing what they must pay immediately while collecting full (or higher) revenue over time.
- Reward paying in full rather than punish paying over time (anchor the higher payment-plan price, then offer a prepaid discount).
- Use payment plans as a way to test pricing/anchors and incrementally nudge price up before seeing resistance.
- Offer financing options: third-party financing, credit-card reframing, or layaway — each has different implications for risk and setup.
- Examples of tactics: present a higher payment-plan price (e.g., 12K) then offer a prepaid discount (e.g., 10K); use layaway to have customers pay before receiving the product; use credit-card reframing to let customers pick terms.

Checklist

1. Anchor high (payment-plan) price and offer a prepaid discount
 - Present the fully baked payment-plan price first (the higher price you'd charge for taking on payment risk).
 - Then offer a savings for prepaying (present the paid-in-full price as the discount).
 - Why: This frames prepaying as a reward rather than penalizing paying over time; it makes paying now feel like a win for the buyer and compensates you for the risk of carrying payments instead of charging disliked "interest." It also allows you to test whether the market will accept a higher anchor and to nudge price upward incrementally.
2. Offer third-party financing
 - Integrate a financing partner so another company pays you up front and the customer pays that financier over time.
 - Why: Third-party financing transfers the payment risk off your business and, per the transcript, typically increases revenue by about 35% on average. It takes work to set

up but is often worth the effort.

3. Use the credit-card reframe (let the buyer pick payment terms)

- Ask the prospect whether they'd prefer you pick the payment terms or for them to decide; if they want to decide, suggest paying by credit card so they can choose their own payment schedule with the card issuer.
- Offer an in-house plan as the alternative (you pick dates — usually shorter timeframe).
- Why: This simple reframe frequently closes sales because buyers feel control over terms; credit cards effectively become a third-party financing option with flexible schedules.

4. Offer layaway where feasible

- Allow customers to pay off the product before delivering or starting the service (drop payments over time, deliver after final payment or after a pre-set start date).
- Why: Layaway shifts risk to the customer and builds anticipation for the purchase (psychological benefit); it's flexible and avoids you carrying risk, but only usable when you can delay delivery or start.

5. Confirm desire before negotiating terms

- Check first whether the prospect genuinely wants the product/service (e.g., "Do you want the thing?") before offering payment-plan options.
- Why: You only want to structure payment terms for buyers who are committed; this prevents over-structuring offers for those who aren't convinced of the purchase itself.

6. Offer multiple in-house split-payment schedules

- Propose options such as half now/half later, three payments, or evenly spread payments. Be ready to flex (e.g., accept \$0 down then a scheduled full payment).
- Why: Different buyers have different cash-flow constraints; offering multiple splits increases conversions by lowering the immediate outlay. Note the risk: you take on collection/delivery risk and may lose when people cancel before you've profited.

7. Offer a free trial as a downsell option

- Present a free trial option as an alternative to immediate payment if appropriate for the product/service.
- Why: A free trial can remove the upfront cost barrier and let the customer experience value before committing to a payment plan or full price.

8. Track and account for payment-plan risk and outcomes

- Monitor cancellations, late payments, and whether payment-plan customers would have paid in full; measure how payment plans affect net profitability.
- Why: Payment plans can convert more buyers but can also reduce profit when customers cancel early; tracking ensures you know whether plans are net positive or net negative for your business.

Examples:

- Story example: Accepted \$0 down and scheduled the full payment on the 1st so the seller could cover immediate rent; the buyer paid on the scheduled date and the seller avoided missing rent.
- Anchor example: Present 12K as the payment-plan price, then offer the buyer the option to prepay and save to 10K (prepay framed as a discount).

Notes:

- Payment plans are about terms, not about lowering the product's value or selling a cheaper offer.
- They can increase conversions and allow price testing, but they carry risk (cancellations, nonpayment, and cannibalizing full-pay customers). Monitor results and choose financing structures (third-party, in-house, layaway, credit-card) based on your risk tolerance and operational capability.