



Saving for a Large Purchase

Description:

Saving for a large-screen television? A new car? A real estate down payment? This checklist can help you reach any savings goal.

Body:

Buying something on credit can be significantly more expensive than paying cash when you figure in the cost of borrowing the money for the purchase. Many people find that saving the money beforehand is a more efficient strategy. Here's a checklist that can help you along the way.

Getting started

- **Estimate how much money you will need to meet your goal.** Although prices may vary over time for any specific item, you should be able to make a good estimate based on comparable items today.
- **Determine how much time you have until you need the savings.** One year? Five years? The more time you give yourself to reach your objective, the easier each step will seem.
- **Create a schedule for adding to your savings fund and calculate an amount to contribute each period.** The best time to set aside money is when you receive it. Create a savings schedule that lines up with when you receive your paychecks.
- **Establish a separate savings account for this goal.** This will help you keep the funds for your goal separate, and you'll be able to clearly see how quickly you are approaching your goal.
- **Include the savings amount in your budget with all other regular financial obligations.** Treat your savings effort the same way you treat your utilities and other bills -- as regularly scheduled commitments.

Finding the money to save

Reaching a major goal calls for a disciplined savings habit, which also may involve disciplined spending habits to back it up. Keep in mind that items you pay for out of pocket can add up to a great deal more than you might realize. Consider economizing on these expenses:

- **Take-out coffee and soft drinks** can cost several dollars each. Eliminating one such purchase per day could give you \$10 to \$20 a week for your savings goal.
- **Buying lunch at work** could cost \$10 per day or more. Bringing your lunch could potentially free \$50 a week or more for your savings.
- **Entertainment costs** for movies, night clubs and sporting events can add up. Skipping even a few such expenses each month could save you \$100 or more for your large purchase.
- **Commuting costs** can be made more manageable with some planning. Gasoline, tolls and parking fees can far exceed the price of commuter passes or mass transit fares, creating a significant savings opportunity. If mass transit is not an option, consider carpooling: Two people sharing one ride to work can cut their commuting costs in half.

- **Cable/pay TV** subscriptions may cost more than your telephone service. You may find that you can reduce the number of options in your service to give you more money to redirect to your savings goal.

Taking a tighter rein on spending

- **Write down all of your outlays** to clearly see where you are spending money each month.
- **Pay down credit card debt and revolving loans**, which are typically the most expensive forms of credit. Unless you are paying more than the minimum each month, you may never pay those debts off and could face never-ending interest expenses.
- **Compare rates on credit cards, homeowners insurance and automobile insurance** since prices for these can vary widely, creating new opportunities for savings.

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