

Consider Goals in Planning for a Major Purchase

If a major purchase is in your future, both your finances and your peace of mind will benefit from advance planning. A few basic principles apply across the board (e.g., begin saving as far ahead as possible and always look for the best deal), but every instance carries a different set of considerations that can help you make the most of your decision to spend.



Here are some common major purchases and relevant tips for getting the best deals:

Automobile

- Consider a low-mileage used car rather than a new one. You can check the history of a used car you are considering, based on its Vehicle Identification Number (VIN). To find this information online, use the keyword phrase "vehicle history reports" on search engines for a listing of organizations that provide these types of reports.
- Compare total costs for leasing versus buying before making a final decision.
- Weigh the relative benefits of a manufacturer's rebate against special financing offers.
- If paying cash is an option, consider the advantages of buying outright rather than financing.
- Do not buy more than you need or can afford. Calculate monthly payments, including insurance. The Credit Union National Association provides online calculators at http://hffo.cuna.org/calculators.html?topic=housing&sub_id=17144.

New Home

- Understand your credit rating. By paying off debt and lowering your current expenses, you may lower the rate you can get on a mortgage.
- Know how much you can spend and determine how much you can afford. You may want to get pre-qualified for a loan before you begin actively looking for a home. Make sure you are comfortable with the payments.
- Do not buy before you are ready. A home purchase is a significant commitment; understand the costs and implications in advance.
- Know your savings options. Consult the American Savings Education Council's "Tools and Resources" Web site for alternatives, at www.asec.org/toolshm.htm.
- You may want to make a substantial down payment. By paying at least 20 percent of the appraised value of the property up front, you will avoid the cost of mortgage insurance, which can run from \$1,000 to \$5,000 per year.
- Calculate monthly payments. Consult one of the myriad of online calculators, such as Choose to Save, at www.choosetosave.org/tools/fincalcs.htm.

Education

- Familiarize yourself with available programs. For example, tax breaks for education are available through state-sponsored 529 plans, Coverdell savings plans, Roth IRAs, Hope Scholarship Credits and Lifetime Learning Credits.
- Check financial aid alternatives via FinAid online, at www.finaid.org or the "Parents and Students" section of the National Association of Student Financial Aid Administrators' Web site, www.nasfaa.org.
- Consider an in-state, tax-supported school or community college to minimize costs.
- Various kinds of government service can help offset the expense of college. For details, consult www.students.gov.
- Student loans provide a low-interest option and are available through individual colleges and universities.

Vacation

- Weigh several alternatives before deciding on a special trip. Examine seasonal deals and special offers. Consult the Internet and/or a travel agent for details. Flight and package offers are available from various travel Web sites.
- For a once in a lifetime trip, set aside money in a special fund well in advance.
- Based on the amount of time available, choose the option that brings the greatest return. For a description of types of accounts, consult http://www.americasaves.org/back_page/savings_accounts.cfm.
- Avoid scams. Deal only with reputable organizations. Consult the Department of Transportation for information at <http://airconsumer.ost.dot.gov/> for travel tips.

Additional Resources:

Web sites

- America Saves (www.americasaves.org)
- American Savings Education Council (www.asec.org)
- Consumer Action (www.consumer-action.org)
- Credit Union National Association (www.cuna.org)
- EdFund (www.edfund.org)
- Myvesta (www.myvesta.org)
- National Endowment for Financial Education (www.nefe.org)
- U.S. Department of Transportation (www.dot.gov/)
- USA Today (www.usatoday.com/money)

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