

Transcript

Saving For A Large Purchase

Tips for saving for a large purchase. Save for a down payment. Save for college. Save for a rainy day. Everywhere you look, there's a reason to save, save, save. But what about the things that aren't as big as a house or college education? Like a new refrigerator, a new roof that doesn't leak or even that well-deserved vacation. Whether it's something you want or something you need, saving for a large purchase can be pretty easy. In fact, with a few common sense tips, you could be heading off someplace special a lot sooner than you think.

First of all, good for you for deciding to save instead of reaching for the plastic. We all know putting a large purchase on a credit card can cost you a whole lot more in interest while you're paying it off. But with your paycheck already budgeted for 20 different things, where to start? Simple, by setting a goal.

Let's begin with an equation. Say you want to take your sweetheart to a bed & breakfast for a weekend getaway in five months. That will cost you a cool thousand for gas, lodging, restaurants and a little something pretty. Now let's figure out, how much you'll need to save every time you get paid. It's really pretty easy.

First, figure out how many paychecks you'll be getting between today and your five-month goal. For instance, if you get paid twice a month over five months, you should have ten paychecks. So you can divide the cost of the trip, \$1,000, by the number of times you'll be paid: 10 times. That means you'll have to save \$100 per paycheck to reach your goal.

If that seems reasonable, then go ahead and start saving. But if it's a little ambitious for you, then you'll have to look at other ways to save your cash. You can always extend the length of time you're willing to save. So maybe take your trip in 10 months instead and let's see, I mean you'll only have to save \$50 now from each paycheck. That could be more manageable.

Or, if you still want to stick to your five-month goal, you'll have to find the money elsewhere in your budget or make some small changes to save a few bucks here and there. Luckily, we can help on both counts. To create a budget, watch our video, "How to set a Budget and Stick To It," and for tips for finding extra cash in your life without making big sacrifices, watch "Easy Ways To Save on Everyday Expenses." It's surprising how much you can

save with small adjustments like brown bagging lunch every day, or giving up your landline at home.

Once you figure out how much to sock away, you'll need somewhere to put it. Of course you could plop it into your everyday bank account, or even in a jar on your nightstand. But why not set yourself up for success by putting it where you'll be less tempted to use it? Like in a savings account you set up for this specific goal, or if you use online banking, most banks offer some kind of automated savings tool.

No matter how you do it, the important thing is to create a personalized savings plan that makes getting to your goal easier. Saving for something you want or need shouldn't be the cause of financial stress. In fact, if you have a plan in place, you might be amazed at how simple it actually is. Get started, and before you know it, you'll be packing up the car for your much-deserved weekend getaway.