

Planning for major purchases

Are you planning any major purchases in the next one to five years? If so, where will the funds to pay for them come from? While there is no easy answer, a little time and planning may be all you need to make those purchases happen — and get the most for your money.

By the numbers

- **67.9%** of Americans owned homes in 2002.¹
- **170 million** American households now own at least one motor vehicle.²
- **\$1.4 trillion** was charged by Americans to their bank credit cards during 2002.³

Major purchases are products and services with prices that can't be easily paid for out of your current budget. They can be luxury items that you want, such as a dream vacation, second home, or boat, or more big-ticket necessities, such as a house repair, wedding, or new car.

Either way, once you've made the decision to make a major purchase, you'll want to take the right steps toward financing it. A good first step is to ask yourself four basic questions:

- How much will it cost?
- When will I need to pay for it?
- How much do I already have set aside for it?
- How much will I have to save?

Once you have the answers for your particular situation, you may want to consider the following suggestions. Put into practice, they can help you create and implement a realistic plan for pursuing your financing goals.

Get started as soon as possible

It may sound all too logical, but whenever you have to purchase a big-ticket item that is not in your budget, the earlier you can start saving toward it, the better. While procrastination is your enemy, time can be your biggest ally. Putting a savings plan in motion as soon as you see a major purchase on the horizon will give your money the best chance to work long and hard enough to help you reach your goals.

Assess your current budget

Where is your income going now? Can you afford to redirect some of it? To find out, record every expense (from morning coffee and utilities to travel and entertainment) you have for a month or two. While some expenses will be fixed, such as rent or a mortgage, you may learn that some others are unnecessary. You may be able to eliminate some of the simple expenses and free up some cash to put toward your purchase each month.

continued

Key points

If you haven't already made a major purchase, chances are you will probably be faced with one sometime in the future. Here are some important things to consider:

- Is it a necessity now, or a luxury that can wait?
- Can you afford it?
- How much will you need to save?
- How will you pay — cash, credit, lease, or loan?

Once you have the answers, it's time to start planning. Create a budget, save wisely, and you'll be well on your way to making those big-ticket wants and needs happen.

¹Source: U.S. Census Bureau

²Source: Federal Bureau of Transportation Statistics

³Source: CardWeb.com

Explore all your options

Will any redirected savings make your purchase possible in the time-frame you have? If so, great! If not, keep in mind that it's your life. Only you can decide how your income is spent or what your lifestyle should be. Any lifestyle changes that you may want or have to make in order for your purchase to happen may also be fairly short term.

Choose cash over credit

It may be a long wait, possibly longer than you'd like, but paying for a major purchase with cash will be well worth it. While it may be easy to pull out the plastic, forcing yourself to spend only earmarked savings will help you avoid paying far more than you originally intended through interest payments on any outstanding monthly balance. If you absolutely must use credit, try to make as large a cash down payment as possible.

Do your homework

Whether you are taking that once-in-a-lifetime trip or making a needed home repair, it pays to ask around. Family, friends, and neighbors may have already purchased the same or similar product or service and can provide valuable insight about it. Also take advantage of readily available research through well-known consumer product and service Web sites, rating services, and magazines — resources that can also help lead you to a well-informed decision.

Calculate your monthly payments

How long will it take you to reach your financing goals? There are literally hundreds of free, easy-to-use affordability and financing calculators on the Internet that you can plug your information into to find out how much you'll need to set aside per month and for how long to reach your goals. Simply type "savings calculator" in your favorite online search engine for links to a variety of Web sites that offer free access to these useful budgeting tools.

Save by paying yourself first

Once you have your monthly savings target set, the next step is to find an account that offers relative safety and stability of principal, along with liquidity for easy access to your savings when you need it. Explore money market, bank savings, and other types of short-term accounts with an investment professional to determine which one is right for your situation, needs, and goals. Many of these products also offer programs that allow you to have money automatically transferred each month from either your paycheck or designated bank account to a savings account.

Shop around

Be sure to shop around before committing to a specific company, model, or brand. As you probably know, prices can vary drastically. Would a used item satisfy your needs or does it need to be purchased new? Also, be patient. If possible, time your purchase to take advantage of end-of-season sales or special offers. By evaluating comparable products or services, you may also uncover features and benefits that better fit your needs and financial resources.

Sleep on it

When all is said and done, you, and only you, are in control of your time and money. Hasty decisions can backfire. But wait too long and you may not be able to make that purchase when you want or need to. Take the time to carefully weigh your options, resources, and time you have to meet your financing goals. If you are still sure you really want to make that major purchase, you'll be ready to go for it with a realistic plan in hand.

For more information about how to put a financing plan specific to your needs into practice, check out the *Creating a Budget* infosheet, also located in the "Financial Basics" section of MFS Heritage Planning.

continued

Resources

Lawrence, Judy. *The Budget Kit: The Common Cents Money Management Workbook*. (Dearborn Trade Publishing, 2000, 3rd ed. \$16.95)

Runyan-McCullough, Bonnie. *Bonnie's Household Budget Book: The Essential Guide for Getting Control of Your Money*. (St. Martin's Press, 2001, \$12.95)

Consumer Reports

www.consumerreports.org
source for unbiased advice about products and services, personal finance, health and nutrition, and other consumer concerns

Contact your investment
professional for more information.

This material is not intended to replace the advice of a qualified attorney, tax adviser, investment professional, or insurance agent. Before making any financial commitment regarding the issues discussed here, consult with the appropriate professional.



© 2003 MFS Investment Management®. MFS® investment products are offered through MFS Fund Distributors, Inc., 500 Boylston Street, Boston, MA 02116.

HP-FB-PURCH-FLY-11/03