

Learn how to budget and save for big-ticket items

When faced with making a significant purchase, or even financing an unexpected emergency expense, consumers are tempted to turn to credit to pay for the goods or services. While credit utilization maintains an important place in building a strong financial reputation, it can quickly put a person underwater financially, and interest fees can increase the price of big-ticket items by a significant amount.

The financial resource The Motley Fool says American households carried a total of \$17.1 trillion in debt as of the second quarter of 2023. A report from Equifax Canada indicated Canadian con-

sumer debt rose to \$2.32 trillion in 2023. Substantial consumer debt can limit financial flexibility, so individuals who are looking ahead to new vehicles or vacations or even home renovations can first try to save for such expenses in lieu of borrowing. Budgeting and saving may not lead to immediate gratification, but it can help consumers avoid debt and ultimately create more financial flexibility down the road.

- Know exactly what you have. Too often people take a casual approach to their finances. At any given time they may not know whether the money they're mak-

ing is actually covering all of the bills, and how much money, if any, is left over. Spend a few months cataloging all credits and debits to your accounts. Pay attention to times of year when income is higher or when spending increases.

- Know your goal and price. Rayhons Financial, a financial services company, suggests identifying exactly how much you'll need for a purchase. Estimate on the high side of expenses so as not to go over budget. Treat a big-ticket item just like a utility bill.

- Create a separate expense account. When all of your funds are together in one bank account, it is

easier to spend the money on other purchases rather than the larger one in mind. Open a separate account and move your "extra" earnings into that account to save for your large expense. Automating the savings by setting up an automatic deduction deposited into this account on payday can make savings even easier.

- Review your budget periodically. Figure out if there are areas where you can cut back and allocate more money to your overall savings or the special savings for the big-ticket item. For example, you may be able to downgrade to a more manageable mobile phone plan or

dine out less frequently. • Time the purchase right. In addition to only buying when you have the money saved, you can look at the calendar to figure out the best time to make that purchase. Does your state or province offer a sales tax holiday? Some times of year you may get a bonus, tax refund or birthday gifts that can be earmarked for big-ticket items. Avoid purchasing big items during times when you must pay for other significant expenses, such as tuition, summer camp fees and insurance payments.

Some simple financial planning can help people save and budget for big-ticket items more readily.

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