

# MAKING A MAJOR PURCHASE

You will likely make some major purchases in your life. A small purchase may have a very limited effect on your life in general. I think we can all agree that choosing Candy Bar A instead of Candy Bar B isn't going to have a lasting effect on your life. Even if Candy Bar A broke your tooth, it still has far fewer lasting ramifications than large purchases, such as cars, houses and so on. So it's a good idea to ask some difficult questions, seek wise counsel and parental direction to help us navigate good decision-making. These steps will be a big help to those life decisions you need to make.

## FLIP OVER FOR YOUR NEXT CHALLENGE



### EARN THIS NUGGET

Pick two major purchases that you might consider in the future. The obvious ones are a car and a house. Project yourself five years in the future and write down a summary of what you think your life might look like, including a realistic household income and then look at purchase options and weigh the pros and cons by using the criteria above. Share your final decision with your parents and get their opinion on your conclusions.

LEVEL K

PERIOD 8

TASK 2

• Want or need? I know you want a Ferrari, but do you need one? I know we all buy things that we want, and not always what we need. The important thing to remember is that a major purchase will affect you for years to come, way beyond the period that the newness and excitement has worn off. Major decisions need to be far more about need, maybe with a sprinkling of want.

• What is the value to you? Is this going to improve your life in proportion to the cost? A Ferrari is cool, but a truck will benefit me far more and will cost a whole lot less, so the actual benefit to me on a day-to-day basis is far greater with the truck.

• What is the financial commitment? If this is a major purchase, you are almost certainly going to see several life changing events over the course of this purchase.

Back to that hypothetical Ferrari. For the single life, it could be fun, but what if you get married?

Have a child? Are you OK only having a car for fun? What is the resale on the vehicle?

There's much to consider and it's a high financial risk. And that's before we even begin to count the cost of maintaining and insuring an Italian sports car.

• Emotional baggage. Some purchases bring peace of mind, while others will shackle you financially and emotionally. Trust me, stressing every month about the lack of funds to live because of the spur of the moment decision is no way to live life. A financial advisor told me that most people are \$300 away from bankruptcy. That means if their finances dropped by \$300 a month, it would be financially over for them. That is a lot of stress to carry through life, not to mention all the other lost opportunities because of the financial shackling. That purchase must have been pretty special. No need to say it, but the "want" of a Ferrari would add "too little value" and create a crippling "financial commitment," culminating in the "emotional baggage" that would far outweigh any benefit. Now let's look at trucks, shall we?

