9 WAYS to purchase your race horse...

or holiday, pool, new car, renovation - or whatever!

Gone are the good old days of 'lay-by' – remember that? The 'olden days' of buying something you couldn't afford. It was the original form of delayed gratification and budgeting for things we wanted - something our children and grandchildren will never know anything about. Perhaps even some of our Gen Y readers?

Do you have a big ticket item you would really like to purchase but you're not sure about how to pay for it?

Let's take a look at a few ways, starting with the most obvious:

1. **Set up a budget and start putting a little extra aside regularly until you have saved enough to purchase your big ticket item. (Yes, we know it's BORING!)**

Let's face it, many of us really aren't big fans of delayed gratification, however if you are most comfortable with this method there is absolutely nothing wrong with that. In fact more people should follow your example. Set up a separate savings account, ask your employer to direct a portion of your salary each week into the new account so there's no temptation to spend it. Then watch it grow!

If you need help to get started on creating a budget please contact us for our free budget planner.

Most of us are more the INSTANT GRATIFICATION type. We just can't wait. We want it and we want it NOW! So most of us will then...

2. **put it on the credit card** (accruing from 15%* or more interest and potentially taking many years to pay it off), **or**

3. **take out a personal loan** (interest rates may vary from around 5% up to 27%[1] depending on factors such as the amount, your credit score, term of the loan, security etc).

The advantages?

Both of these options are going to get you that item right now.

The disadvantages?

Unless you pay your credit card off within the 55 day free interest period, the cost for both of these options will end up being much more than the ticket price in the long run.

WARNING: Both options would not be high on our recommended list. If your credit card has an interest rate in excess of 15% and you take 5 years to pay off the debt then your $20K holiday could end up costing you as much as $30,000 or more!

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Of course, you MIGHT experience an unexpected windfall? You could…

4 **pay for your big ticket item with an inheritance from a long lost cousin you've never met, or**

5 **win big at the races!**

Good luck with both of those options.

What about using your home loan?

There are several ways you can do this. You can:

6 **use your redraw facility (if you have one)**

7 **use your offset account (spare cash)**

8 **use the existing equity in your home (set up a redraw or split loan facility)**

or

9 **refinance all your debt AND your home loan to include the cost of the big ticket item.**

Call the office for our 'winning tips' and ideas on purchasing your next BIG ITEM!

1. canstar.com.au
* This does not include purchases made on initial interest free terms of 12 or 18 months.

The advantage of using your home loan?

Adding a large ticket item to your home loan is likely to give you the lowest interest rate available as the item is secured against your home. And let's face it – interest rates are pretty good at the moment – it is the cheapest way of buying money today.

The disadvantage?

If you fail to make additional payments over a short period of time to cover the additional loan you risk taking many more years to pay off your home and can even pay a lot more than the original cost of the item.

The major risk? If you take a very long time to pay off the debt, you are increasing the total interest repaid - thus the total amount of the big ticket purchase. It could end up costing you a lot more than you really wanted to spend.

If you really want to make a big purchase this way, you MUST pay off all debts as fast as possible!

Regardless of the item you want to purchase, we always recommend you do two things:

1. Come and talk to us **before you sign anything**. We may have some finance options you haven't yet considered.
2. Ensure you **review your budget** to maximise repayments and minimise the total cost of any money borrowed.

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