



Buying Power

It might be tomorrow. It might be a year from now. Or it could be 10 years away. Someday, you will want to make a big purchase that you'll end up paying for over time. It could be a cell phone with a monthly service plan; a new car, which comes with loan payments; or even a new home, which includes a monthly mortgage payment. By earning this badge, you'll understand the long-term impact of making a big purchase and how you need to be prepared to keep paying for it long after you've started to use it.

Steps

1. Compare costs and options
2. Conduct consumer research
3. Calculate the long-term costs
4. Investigate ways to find better deals
5. Create a savings plan for a big purchase you'd like to make

Purpose

When I've earned this badge, I'll know how to research and budget for a big purchase for myself or my family.

"Goals are dreams with deadlines."

—Diana Scharf Hunt

Every step has
three choices. Do ONE
choice to complete
each step. Inspired?
Do more!

STEP

1

Compare costs and options

To start, you need to pick a major purchase to research. Here are some ideas: a cell phone with a monthly plan, a car with car payments, or a house with mortgage payments. However, anything that requires you to pay over time—whether it’s a refrigerator or a new computer—qualifies as a big purchase, so if there’s something else you’d like to research, go for it! Once you’ve picked your item, start researching features to see how they change the overall costs. With a car, for example, this could mean ranking things like size, fuel economy, horsepower, and maintenance costs.

CHOICES – DO ONE:

- Build your own.** Is your item featured on an official website, like the home page of a cell phone provider or car company? If so, visit the site to see what type of research tools are available. You may be able to add and subtract various options to see how the price changes. Play around with different options to create three different versions of the item, from least to most expensive. Review the options with a family member, and explain which version you would choose and why.

OR

- Contrast and compare.** Perhaps there are three mobile phones you’re interested in, or maybe you can’t make up your mind between two different makes of car. If that’s the case, use this step to contrast and compare your options. Create a chart that directly compares at least 10 key features, including starting costs and monthly fees. Use catalogs, magazines, and websites to do research. Review your chart with a friend or family member, and talk about which choice you would make and why. (Remember, you don’t really have to buy anything.)

OR

- Go shopping!** Visit a place—such as a car dealership or cell phone store—that sells the item you’re researching. Ask a salesperson questions about all the available features of the item, and take notes so you can fill in a comparison chart later. Be upfront when you talk to the salesperson, and let him or her know that you’re just doing research. After leaving, fill out your chart, and review your findings with a friend or family member.

STEP

2 Conduct consumer research

Taking time to fully research a big purchase can save you money. More importantly, doing research can also save you from making a mistake, whether it's a minor issue like choosing the wrong options or a major one like picking a poor product to begin with.

CHOICES – DO ONE:

Interview owners. Find at least three people who have made a similar purchase in the recent past. Find out what key selling points convinced them to go through with the purchase. What features did they think were most important before buying? What features turned out to be most important after they started using it? Finally, be sure to find out how happy they are with their decision, and ask if they would have done anything differently if they could go through the purchase process again.

OR

Read expert reviews. Search through magazines and the Internet to find at least three expert reviews of your item. These reviews should be relatively long and detailed. After reading them, create a list of five pros and five cons on your item based on what the reviewers wrote.

OR

Research customer reviews. If you can buy your item online, then there's probably a wealth of customer reviews for you to rely on. Read at least 20 customer reviews, making sure to read both positive and negative ones. Discuss what you learned with a friend or family member, and talk about whether or not the reviews changed your mind about what you would buy.

Good consumer research is like taking a test drive with your item of choice before you buy it, and in this step you'll research other people's opinions and reviews to confirm you made the right choice.



STEP

3

Calculate the long-term costs

People rarely buy expensive items like a car or home outright—instead, they give a down payment, and then pay the rest off in monthly installments. When buying a home, for example, a lender usually requires a down payment of 20 percent of the home's total cost. The remaining 80 percent goes into a mortgage that you pay off monthly—for as long as 30 years! Even something like a cell phone, which can be free or come at a heavily discounted rate, still has monthly costs. Calculate the long-term costs of your item by choosing one of the following options.

CHOICES – DO ONE:

- Speak with a salesperson.** Whether it's a car salesperson, an electronics store employee, or a real-estate agent, there's an expert out there who knows the ins and outs of purchasing your item. Ask them to outline all your payments, particularly those after your first down payment. Are there any hidden fees or charges you didn't think of?

OR

- Maximize your down payment.** When buying a particularly expensive item like a car or a house, you can sometimes choose how much your down payment will be. The more money you pay up front, the less money (and interest) you'll pay each month. However, sometimes it actually makes more sense financially to pay less up front and make larger monthly payments. To understand the importance of finding the right down payment, invite a mortgage or car loan expert to speak to your group. Be sure to ask them about the potential dangers of getting a loan with no down payment.

OR

- Calculate the true cost of buying over time.** Always beware of any deal that seems too good to be true, particularly when it comes to "no money down" offers. While it might feel great to walk into a store and take home a new computer or fridge without putting any money down, you could end up paying a whole lot more over time. Research three items you could pay for over time, such as a computer, a refrigerator, or a washing machine. Create a chart that lists the price of the item, the interest rate, and the total cost if you paid for the item over three months, six months, or a year.



STEP

4 Investigate ways to find better deals

When considering a major purchase, it's often a good idea to research ways that you can buy it for less. For example, you might be able to pick up a slightly used version for a fraction of the cost, or you may find out that there are times when the item tends to go on sale, and wait to buy it then. Pick a choice below to investigate alternative options for making your big purchase.

CHOICES - DO ONE:

- Look into buying used.** Did you know that the moment you drive a new car off the lot, its value can drop by as much as 20 percent? That's because technically it's no longer a new car. Research your item on the used market, using classified ads, online auction sites, and any other sources you can find. Find at least five used options for sale, then compare them with each other and with a new item. Discuss with a friend or family member whether you think buying used is a good idea.

OR

- Research sales cycles.** Can you wait a month or more to get a better deal? You might be able to save lots of money by researching sales cycles. Department stores often hold their sales over long holiday weekends, while seasonal products like outdoor grills or ski equipment often go on sale toward the end of their season. Find three locations where your item is being sold, and create a yearlong chart for each that includes all major sales. Is there a best time to buy your product?

OR

- Use the power of the Internet.** Shopping online lets you compare and contrast hundreds of different items and retailers with just a few clicks of a button. Find the exact item you are looking for on at least five different sites. What kind of price differences do you find? Can you find any additional online specials or discount codes for each site that give you an even better deal?

WORKSHEET

The item I'd like to buy:

Three features my item must have:

Three positive things I learned about the item during my consumer research:

- 1.
- 2.
- 3.

Three potentially negative issues I learned about the item during my consumer research:

- 1.
- 2.
- 3.

Approximately how much my item will cost each month:

How long I will have to pay these monthly costs:

How much I need to earn to cover the costs:

My savings plan:

More to Explore

Savings accounts. While there are several ways to invest money, the most common is opening a savings account. Set up a meeting at a local bank to discuss savings account options and features. For example, you might be able to have your paycheck automatically deposited so that a certain amount always goes to savings. Or you could find a savings account that gives you a better interest rate if you promise to leave the money untouched for a certain period of time.

STEP



Create a savings plan for a big purchase you'd like to make

Now it's time to figure out a plan that will let you make your big purchase. Even if you don't plan on ever actually purchasing the item you're researching, completing this step will teach you budget skills that you can use the rest of your life. Try filling out the worksheet on page 6 to help you frame your savings plan.

CHOICES – DO ONE:

- Short-term savings plan:** Is your item something you could save up for in the next few months? Create a plan that lets you save the money needed to put a down payment on your item or buy it outright. If you will be making monthly payments, make a detailed plan you can put into action the moment you bring your item home. Share your plan with a family member or financial expert, and ask for feedback about whether your plan is realistic. If it's not, ask for tips on adjusting it.

OR

- Medium-term savings plan:** If you think you need a year to save for the item you want for yourself or your family, create a plan that will help you reach your goal. Since you have longer to save, you might want to consider ways to increase your income over this period. For example, could you get a part-time job with the goal of saving everything you make toward buying your item? Are there certain times of the year when it's easier to get a temporary job (for example, stores often hire extra sales help during the holiday season). Share your plan with a family member or financial expert, and ask for feedback about whether your plan is realistic. If it's not, ask for tips on adjusting it.

OR

- Long-term savings plan:** If you're saving for something really big, you may need a long-term plan that will take several years to carry out. First, figure out how much you think you can realistically save each month, then determine how long it will take you to reach your goal. If the time frame seems too long, think about ways you could increase your monthly savings, either by cutting back on what you spend or by earning more money. Share your plan with a family member or financial expert, and ask for feedback about whether your plan is realistic. If it's not, ask for tips on adjusting it.



Add this Badge to Your Journeys

When you earn this badge, you learn to think ahead and make a plan for having money for something. Use this skill as you develop your Take Action project — how will you make a plan so that it's sustainable over time?

Now that I've earned this badge, I can give service by:

- Helping my family create a plan to save for a big purchase
- Creating an informational video about the true cost of paying for items over time
- Giving a presentation at school with tips about how to use money wisely to make a big purchase

I'm inspired to: