



### Top 3 Steps to Prepare for a Big Purchase

A financial journey typically includes several twists and turns – such as understanding how to manage spending, build savings and control debt. There might be “speed bumps” in the form of unexpected changes in income. Along the way, you might also navigate milestone purchases such as financing a home or car.

When considering a significant purchase, the destination is within reach when you steer through the following five financial steps. These guidelines set you up to understand how a big purchase fits into your overall financial picture.



#### 1. Look at your financial picture

Start by considering what you can afford given your current income, expenses and other obligations. Get a handle on how much money comes into your household each month, and where the money goes. Make sure to consider your net income- what is available to you after taxes and other deductions.

For homebuyers: When purchasing a home, a common rule of thumb is to spend about 30% of your monthly gross income on housing. That includes costs like mortgage principal and interest, property taxes, insurance and maintenance.

For car payments: A general rule of thumb is to keep total monthly car costs at about 20% of monthly take-home pay. This includes the cost of not only your monthly car payment, but insurance, gas and maintenance.

## 2. Check your credit score and report

This is important when considering a big purchase like a home or car. Pull your credit report from [AnnualCreditReport.com](https://AnnualCreditReport.com) and follow the additional instructions to see your current credit score – which influences your overall cost of financing your purchase. The lower your credit score, the more likely you will have a higher interest rate and greater overall cost.



*Tip:* Be sure to check your report for accuracy. Resolving errors or incorrect information often helps increase your credit score, giving you more attractive financing options. If the report is inaccurate, file a dispute with the credit bureau.

Make sure to check all three bureaus, as sometimes one has information that another does not. Before making a big purchase, it's important to fully vet (and make sure you understand) your financing options.



## 3. Research your financing options

For a home purchase, that means giving yourself enough time to explore mortgage options including types of mortgages, terms, fees, interest rates and other information.

Consider getting a preapproval or prequalification letter from a lender, especially in a competitive market with low housing inventory. If you're looking to finance a car or other big purchase, take inventory of the most competitive loans offered by the dealership, credit union, bank or other lender.

Also be sure to read through any fine print, for example: Is there a pre-payment penalty if you pay your loan off earlier than expected?

*Tip:* When conducting your research, remember to use trusted, unbiased information sources, rather than depending upon advice from someone who might benefit from your choice.

For a preview of upcoming topics or to review previous Tutorial Tuesday topics visit <https://www.nymeo.org/tutorial-tuesdays>.



This is an advertisement. Nymeo Federal Credit Union  
Copyright 2021

[Unsubscribe](#)

Nymeo Federal Credit Union | 240-436-4000 | 855-436-4100 | [nymeo.org](https://nymeo.org)  
5210 Chairmans Court, Frederick MD 21703

