

Large Purchases

Consumers make spending decisions every day. Sometimes spending choices are simple like buying milk at the market for your family. Other times, spending decisions can be more difficult. This is especially true when the decision involves making a large or costly purchase, such as buying a car, house, or vacation. We call these spending decisions *large purchases* because they involve spending a large amount of money.



Sometimes people don't have enough money saved up to pay for a large purchase without borrowing money. The decision of whether or not to borrow money is something most people think carefully about before deciding. This is because when people borrow money, they are charged a fee for the service of borrowing money. This fee is called interest. Because of interest, borrowers end up paying more for the good or service than if they were able to pay for the item without borrowing money.

Consumers should always consider all of their options when making a large purchase. For instance:

- Is it something they really need?
- Can they wait to get the good or service until they save up enough money to pay for it without borrowing?
- Are there additional fees or interest that will be added to the cost? What is that amount?



Think about it...

Think about a large purchase your family has made. Was the item a good or service? Did your family wait to get the good or service until they saved up enough money to pay for it? Did they pay for the item with a credit card? Did they borrow money from a bank? Write about your family's large purchase below. Use the back side of the paper, if you need additional space.