

How to Save to Buy a Home

by Phoebe Chongchua

It can be one of the hardest things to do -- save money for your first home. But now, more than ever, there's incentive to buy. Government housing tax credits have been extended and that's sparking buyers' interest.

Reports show that U.S. homes sales increased 10 percent in October to the highest level since February 2007. The tax credit, less expensive homes, and lower mortgage rates are being credited. However, while the government is helping to support the purchasing of a home, many Americans still can't afford to buy one.

"Most Americans are spoiled. Most Americans spend a lot of money on discretionary items," says Eric Tyson, co-author of *Home Buying for Dummies*, 4th Edition. "What it really comes down to is you have to be motivated to look at where are you currently spending money and what discretionary spending can you cut off," says Tyson.

So how do you get in a position to buy a home? For some the process can seem nearly impossible. First-time homebuyers are often fearful they'll never be able to accumulate a down payment now that stricter guidelines are being enforced for taking out home loans.

Tyson says to look over your finances and see where things can be cut back a little. For instance, maybe you have a gym membership that you really use only a few times a month; does that justify having it? Another big area to find savings, especially for single people, is the dining out category. "Some people spend an enormous amount of money eating out," says Tyson. Tyson says if you really want to save, take a look at the car you're driving. "I argued 15 years ago that you should only pay cash for a car and that you should not take out an auto loan or a lease. My first publisher argued that's not realistic. ... Well, if you're trying to save for your retirement or trying to save for a house and you go out and buy a \$30,000 car by taking out an auto loan, that's insane—you can't afford it," says Tyson. Still, he says most Americans continue to take out auto loans, "and they do it because they can't afford the car and that's just crazy. What you're doing is borrowing against future income to be able to drive a car that's more expensive than what you can really afford."

"A severe recession as we've been through recently is a wake-up call and it forces people to realize that they can't continue to spend this way," says Tyson.

Tyson says he sees people who spend an enormous amount of money on things like sporting events and while he understands their passion, if they're trying to save for a home, something must go. "I'm not saying to cut it all out but how about cutting half of it out. It comes down to trade-offs." Another trade-off might be to watch some of the events on TV rather than go to them. This brings us to the point of seeking savings in your utility bills by bundling cable, Internet, phone or maybe even cutting down to the bare essentials of channels. "Shop anew for services and see if you can combine them under one company and get discounts for doing so," says Tyson.

Have you checked your cell phone bill lately? A lot of times those charges add up very quickly. "People are wasting an enormous amount of money [in this area] because of the Web surfing, the downloads, and the text messaging," says Tyson.

The bottom line is saving for a home is a very personal experience—what one person is willing to give up another person may not. If you keep your goal set on purchasing that home then you'll find the effort to get there is not nearly as difficult and you're likely to find that there are more places to cut costs than you realize.

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