The Ultimate Guide to Big-Ticket Spending

5 MIN READ

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BY MELANIE LOCKERT

Major purchases deserve a protocol (and an exit strategy). Your wisest investments might be the memories you bank.

Most people spend their lives **earning money**, not just to survive, but to fund their biggest life goals: a new home, a dream car, going back to school, or a once-in-a-lifetime trip.

These big-ticket purchases can cost thousands of dollars and are some of the most important financial decisions you're likely to make. The obvious question is whether you can afford it. The more challenging question is what you'll get in return, and whether it's worth it in the long run. Here's how to make smart spending decisions when the stakes are high, according to financial experts.

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Ask Yourself These Three Questions

Investing in big-ticket items or experiences can be a worthwhile move. But it's not something to rush into. Marcel Miu, a certified financial planner and the founder of **Simplify Wealth Planning**, says that big-ticket spending isn't simply a math problem to figure out. It's often an emotional decision, too.

"Financial freedom is about matching your assets to fund deep human needs without

breaking your long-term compounding engine," adds Miu.

Miu has a three-question framework to help you decide whether a big-ticket purchase makes sense:

1. What core human need are you trying to meet with this purchase, and is this the most efficient way to satisfy it?
2. What is the opportunity cost, or the impact on your investments, of making this purchase?
3. How easy is it to get out of this commitment in the future?

Together, these questions shed light on the motivation behind a purchase, the long-term impact on your finances, and whether there is any flexibility if your circumstances change.

Stress-Test the Future Financial Impact

Big-ticket purchases can represent months or years of your income spent on a single decision. A **$6,000 trip to Milan**. A $500,000 home. A $25,000 bathroom remodel.

Whether or not you're making a responsible purchase, it can be nerve-wracking to spend such a significant amount of money. One way to know that your stress is warranted is if the purchase will compromise your emergency fund, says John Mason, certified financial professional and president of **Mason & Associates**, LLC, a fee-only financial planning and tax planning firm for federal employees.

"If a large expense would cause you to dip below an emergency fund covering 3-6 months of living expenses, you should consider delaying or not making the purchase," says Mason.

Additionally, it's a good idea to consider the total costs you'll incur in the long run, not just the immediate ones. "One-time expenses are significantly easier to plan for

than new, higher recurring expenses. An example in the one-time cost category could be a high-ticket ‘bucket list’ trip. Yes, the expenses might be high, but it doesn’t have ongoing costs or strings attached,” adds Mason.

On the other hand, buying a home, car, or boat may have recurring maintenance costs that are easy to dismiss in the beginning but can become a significant burden in the future. When it comes to major purchases, it’s easy to get swept up in the excitement.

“My rule of thumb: sit on any major decision for at least a week if you can. Let the emotional high settle,” recommends Joe Stabile, founder and certified financial planner at **Coast Financial**.

He also suggests thinking through the worst-case scenarios, accounting for the fact that your life might look different even a few short years from now.

What would happen if you were laid off or entered **retirement**? What if you have buyer’s remorse and can’t fix it easily? What if you need to move because of family or illness? These are the kinds of questions to think about when stress-testing the impact of a big-ticket purchase on your future.

Discuss It With the People Affected by the Purchase

Making a big-ticket purchase is a major decision and should rarely be done alone. Stabile notes that anyone “directly impacted should have a seat at the conversation — first and foremost, your immediate family.”

The goal is to find a compromise that makes sense for all involved. No one person should be convincing (or worse, manipulating through guilt or fear) another. If that’s a challenge, having a neutral third party like a financial advisor, therapist, or counselor may help.

As part of that process, **money conflicts** can arise, but it’s important to understand

that these are rarely just about the numbers, Miu notes. These often reflect a difference in values, for instance where one person prioritizes adventure while the other prioritizes safety.

If one person is having a hard time understanding the other person's point of view, return to the three questions above. Have each party answer each question. That can provide insight on underlying motivations and feelings about the purchase. And, to minimize conflict, "reframe the purchase as a shared problem-solving exercise rather than a binary win-or-lose debate," adds Miu.

Run a Regret Check

Before forking over your savings, it's important to ask yourself: Will I regret this purchase in the future? If you don't have an obvious answer, it can help to outline the factors that would make such a scenario more likely.

"The most common regret I hear about a major purchase typically stems from the consumer not doing enough research before purchasing. For instance, purchasing a home on the water with huge dreams for the property, but not fully aware of the limitations," says Mason. "The second most common regret occurs when you get 'thousand-dollared' out. This occurs during remodels, when purchasing a vehicle, building a home, and more. Everything nice costs extra, and eventually we all hit a breaking point where we can't justify spending any more."

In addition to the financial cost, it's also wise to consider the time cost associated with your purchase. For instance, if you invest in a luxury car that requires expensive and time-consuming upkeep, you might later wish you'd chosen something more affordable, practical, and low-maintenance.

"If a luxury item consumes your evenings and weekends with administrative chores, it steals the very freedom wealth was supposed to buy back," says Miu. "To avoid this mistake, force a deliberate cool-down period and write out a clear exit strategy in case

the purchase ends up not being what you imagined."

Invest In "Memory Dividends"

Spending money on an experience may seem fleeting: once the moment passes, you're often left with nothing material. But if you do it right, you reap the rewards more than once. Author Bill Perkins of ***Die with Zero*** encourages readers to invest their money into valuable life experiences that pay what he calls "memory dividends." You pay for an amazing adventure once, but the memories enrich you for the rest of your life. You have stories to tell, photos to look back on, and shared experiences with the people you love. And isn't that what life is all about?

On some level, we seem to intuit this. Research shows that many people experience greater long-term satisfaction with experiential purchases than material purchases. A 2011 study published in the ***Journal of Personality and Social Psychology*** found that material purchases were more likely to result in buyer's remorse, or *regret of action*. Experiential purchases, on the other hand, were more likely to result in *regret of inaction,* or missed opportunities.Trips, tours, and other experiences may lead to a more introspective reflection: "I wish I had done this sooner" or "I wish I had done this when I was younger."

These investments can actually be good for mental and physical health as well. A 2017 study published in ***Nature Human Behaviour*** found that recalling happy memories can enhance your wellbeing and is an effective tool for coping with stress. Another 2014 study published in the ***Journal of Experimental Social Psychology*** found that anticipating positive events can also have a beneficial impact on stress.

Some of the best experiences *my* money ever bought included a trip to Turkey with my mom to celebrate her retirement. Spending a month in Mexico City practicing Spanish in January, 2020 (which I was really grateful for when the COVID lockdown hit). Going to Costa Rica on my honeymoon.

For you, it could be finally taking that big family trip to Europe or challenging yourself to become a Founding Athlete at the first-ever **Super Age Games**. These are the experiences you'll start looking forward to as soon as you dream them up, and the ones you'll later replay in your memory highlight reel.

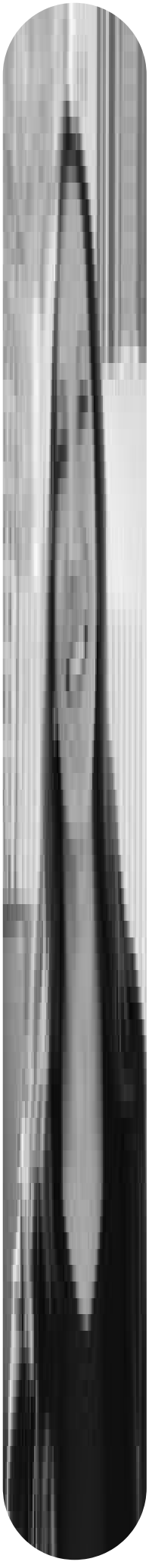
So, before your next big spend, kick the tires on your investment a little to see if it delivers on its promises.

"Ask yourself: does this make my life meaningfully better, or does it just feel that way right now? The purchases people never regret are the ones that align with who they are and where they're going, not just what they wanted in the moment," says Stabile.

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WRITTEN BY:



Melanie Lockert

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