

YOUR HOUSING DOLLAR — A DOWN PAYMENT

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Is the lack of a down payment snagging your plans for building or buying a new house?

Almost any kind of housing requires a monthly cash expenditure. The amount to spend on housing depends upon family size, age of family members, income, and the values held by the family.

An approach to planning is to establish facts about income and living expenses. By listing the amount spent monthly or annually for current family expenses, you can determine the amount to be spent for housing.

Values of family members determine how readily resources may be transferred from one source to another. For instance, a family with a high preference for home ownership may use all or a part of

the funds spent on recreation and entertainment for satisfactory housing. A family with a low preference for home ownership may choose to continue renting rather than changing their spending pattern.

You can accumulate the amount required for a down payment on a house by adopting a regular monthly savings plan, based on income after taxes. Interest on the monthly savings is excluded in the example:

A family with a monthly income of \$300 after taxes discovers that the house it has chosen will require an \$800 down payment. The family can put aside \$33.33 per month for 2 years to acquire the \$800 down payment.

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AMOUNT NEEDED TO COMPLETE DOWN PAYMENT (EXCLUDES INTEREST ON SAVINGS)

Amount of down payment	Monthly salary (after taxes)	Savings per month	Years			
			1	2	3	4
\$ 200	\$300	\$17.00	X			
\$ 800	\$300	\$33.33		X		
\$1,000	\$300	\$27.77			X	
\$1,400	\$300	\$29.16				X

