

# Thinking About a Loan?

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Taking out a loan is a big financial commitment. Here are a few things to think about when you're planning on financing your next big purchase.

## BUDGETING FOR YOUR PAYMENTS

One of the first things a lender is going to ask you is "what is the monthly payment you're looking for?" You want to be prepared for this question, as this is solely asked for your benefit. How much do you have to put towards a 2-7 year obligation each month? When determining this, it can be a good time to take a look at your finances and see exactly how much you're working with. You want to make sure even with the new monthly payment, you still have money left to save.

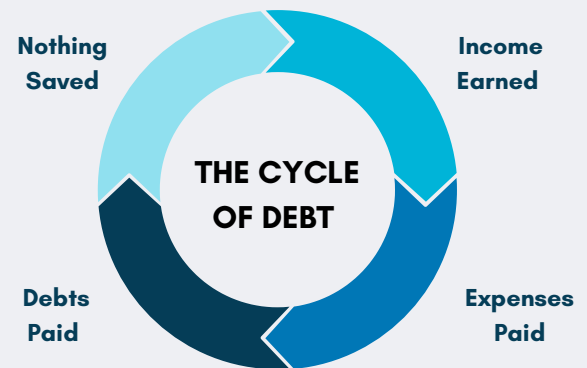
One method is particularly useful when planning to incorporate another monthly payment into your budget. This is called the 50/30/20 spending method. 50% of your budget goes to needs, such as rent, utilities, groceries, gas and transportation, and insurance. 30% of your budget goes to things you want, such as hobbies, subscriptions, eating out, and shopping. The remaining 20% of your budget goes to savings and paying off debt.

## CHOOSING THE RIGHT LOAN

Choosing the right type of loan for your needs can save you a lot of money in interest. One thing to know is **Secured loans** are going to typically offer lower interest rates than unsecured loans (Ex. credit cards) because they are considered less risky. Remember, you can always use existing assets as collateral by using its **equity**, even if the money is going towards something else, like credit cards.

The financial institution you choose can also make or break your lending experience. On average, you'll receive lower interest rates at credit unions than banks because credit unions are not for profit.

It's essential to make sure the monthly payment is something you can afford, because the cycle of debt is hard to break.



### 50/30/20 Spending Method

