

Tying the Knot: What's the Smartest Way to Pay?

From Emily Post to the clergy to well-meaning grandmothers, engaged couples may feel that everyone is offering them advice. However, many who are planning the big day neglect to seek advice for one of life's most common challenges: managing finances. Given the national average of wedding costs today -- more than \$22,000, according to the American Wedding Study from Conde Nast's Bridal Infobank -- that could prove to be a mistake.

In addition, engaged couples are shouldering more of those expenses than ever. In an April 2004 survey of registered users of the online wedding authority, theknot.com, more than 75 percent of respondents said they expect to pay for at least a portion of their weddings.

Seeking financial guidance

To better manage escalating wedding costs, says Beverly Clark, author of *Planning A Wedding to Remember*, couples should first speak with a representative from their financial institution. "Many banks offer advice without charge," says Clark. "Take advantage of that guidance *before* you start selecting reception halls and caterers. A trusted financial advisor may be closer than you think."

Often, effective wedding planning begins at a bank offering convenient branch locations. Clark recommends Bank of America, which has more locations nationally than any other financial institution. Personal bankers at banking centers can provide helpful information on setting and living within a budget; exploring short-term savings vehicles; and determining when it's realistic to purchase that first home together.

Setting a budget

Clark also points out that the first step a couple must take in managing wedding finances is to determine a realistic budget -- long before they walk down the aisle. Half of the participants in the Knot.com survey said they expect to exceed their wedding budget.

"Exceeding your budget is a big mistake," says Clark. "Couples should sit down and decide how much to spend and what matters most. They should decide where they will compromise first -- number of guests, venue, etc. -- and what their bottom line is going to be."

Saving for the big day

The need to stay within budget -- while anticipating major expenses -- makes it more important than ever for couples to save for their wedding, as they would any major expenditure. However, among theknot.com survey respondents who plan to spend at least \$10,000 on their wedding, 17 percent said they have put no money aside in savings for their big day. Less than 35 percent have saved more than \$3,000.

Many banks offer a range of short-term savings products that make saving easy. For example, Certificates of Deposit (CDs) provide the security of FDIC insurance and higher returns on a customer's investment. CDs offer consumers more choices than ever, including a wide range of maturation dates and combinations of fixed and variable rates.

Clark points out that saving for a wedding must begin well before couples set a date. "The average engagement is 12 to 16 months, which realistically isn't much time for anyone to save \$10,000 or more. This is especially true in light of other expenses, such as honeymoons, new homes and furniture."

Exploring financing options

Couples who do choose to finance all or part of their weddings are finding greater choices in credit and financing.

For homeowners, an often-overlooked option is a home equity line of credit. In theknot.com survey, 43 percent of engaged couples, either individually or together, reported they already owned a home. Gene Morris, a senior vice president in Consumer Real Estate with Bank of America, says, "For the increasing numbers of engaged couples who also own homes, home equity credit lines provide flexible financing options with low interest rates. At the same time, couples who don't yet own homes can learn about opportunities to get on the track to home ownership while rates are still low."

However, of those respondents, fewer than nine percent considered using a home equity line of credit to help cover wedding expenses. This could be a missed opportunity for homeowners, considering that interest rates are still bargains and remain near 40-year lows. Most banks offer a wide range of home equity products, including loans and lines of credit, which can offer greater flexibility in access and in payment than do other vehicles.

Some couples like the convenience of credit cards when making wedding-related purchases. In theknot.com survey, 15 percent of respondents preferred this way to pay. Many credit cards offer rewards packages, such as airline miles or hotel points, which might be used to help pay for a honeymoon. Yet credit cards often carry higher interest rates than home equity products.

Morris suggests leveraging financing options, using a combination of savings, home equity and credit card vehicles. This enables consumers to take advantage of the unique benefits that different vehicles offer. For example, many couples may choose to pay for larger-ticket items with a product that has a lower interest rate and more flexibility in paying off debt, such as a home equity line of credit. Meanwhile, they can pay for other items with products, such as many credit cards, that offer rewards, which can be used for honeymoons and family visits.

After the Honeymoon

Of course, expenses don't end with the reception. Most newlyweds spend on furniture and household items to set up their new life together. In addition, according to theknot.com, more than 32 percent of respondents who do not own their own homes plan to buy one within five years -- representing their intentions to make what is often one of life's biggest investments.

According to Morris, longer-term considerations are important here as well. In the current low rate environment, many couples are choosing to buy a home now rather than later, he says.

“They’ve got the right idea. Even one percentage point can make a difference of more than \$1,000 in monthly principal and interest payments on a 30-year loan of \$150,000.”

“The complexity of combining finances -- and the importance of examining financial goals -- makes it even more important that engaged couples understand the services their banking institution offers. They should meet with a representative who can be a trusted advisor,” says Beverly Clark. “With a firm financial foundation, newlyweds are much better prepared to face the wonderful opportunities and inevitable challenges that come with setting up a life together.”

Additional information, including a learning center and calculators, is at www.bankofamerica.com.