Saving Up for a Home Down Payment

Saving for a down payment is just the first financial hurdle you'll have to clear as a prospective homeowner — but it's a big one. If you want to avoid buying private mortgage insurance, or PMI, you'll generally need to put down 20% of the home's price in cash. That's $40,000 on a $200,000 home. It could take years for the average person to save that amount.

Here are seven strategies that can expedite your down payment saving:

1. Save smart. Since saving for a down payment is a long-term goal, consider putting your cash in a low-risk, high-yield savings account such as a certificate of deposit, or CD, available at financial institutions such as Ambler Savings Bank. The interest you'll earn can help your nest egg grow more quickly.

2. Live below your means. Maximize your disposable income. Finding a more affordable apartment will free up money you can put toward the down payment. Sacrificing a little square footage might save you a couple hundred dollars a month, and that can help boost your fund.

3. Stash cash windfalls. Once you commit to buying a home, start putting any cash that comes your way from gifts, tax refunds or any other source outside of regular income into your down payment savings.

4. Cut small spending. Give up your pricey coffee-shop lattes each morning and picture the day you can brew one in your very own kitchen. Take a look at your daily expenditures and find small ones like this to cut, knowing that it's all funding a future.

5. Live off one income. If you're buying a home as a couple, challenge yourself to live off one person's paycheck and save the other. You might be surprised at how quickly the savings

accumulate. This exercise can also help prepare you for other times you'll have to tighten your belt, such as having a child or paying off a large medical bill.

6. Make it automatic. Determine how much you can put in your down payment fund each month and have part of your paycheck directly deposited into the account, eliminating the temptation to spend the money.

7. Withdraw from your retirement fund. Tapping into retirement savings to top off your down payment fund should never be your first choice. But first-time homebuyers can take up to $10,000 from an individual retirement account without facing a penalty if it's used to fund a down payment, and couples can take $20,000 jointly. However, withdrawals can impact your retirement plans, so exhaust other savings options first.

The more you can afford to put down in cash on your house purchase, the better your chances of qualifying for a great rate on your mortgage. And that's something that will continue to pay off in years to come.

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