**Activity – Saving for Home Repairs**

One of the biggest expenses a person will encounter will be the purchase and maintenance of a home. Everyone who owns a home should set up a savings plan to prepare for future home repairs.

1. The chart below illustrates the projected life expectancy of various components of a home and the expected cost to replace them. Calculate the amount that needs to be saved each month to ensure that the cost of replacement can be met. Assume that no interest is accrued on the savings. The first two calculations have been done for you.

**Step 1:** Take the life expectancy in years and multiply by 12 to give you the number of months.

**Step 2:** Take the expected replacement cost and divide by the number of months (from Step 1). Round to the nearest two decimals.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Life Expectancy** **(in years)** | **Expected Replacement Cost** | **Monthly Savings Required****Follow Step 1. & 2.** **Round to the nearest two decimals** |
| Roof Shingle | 10 | $2,174.00 | 1. 10 x 12 = 120 months
2. $2,174/120 = $18.12/month
 |
| Refrigerator | 6 | $750 | 1. 6 x 12 = 72 months
2. $750/72 = $10.42
 |
| Oven | 6 | $900 |  |
| Washer | 8 | $525 |  |
| Dryer | 8 | $475 |  |
| Exterior Painting | 6 | $3750 |  |
| Windows | 15 | $12,000 |  |
| Doors | 15 | $5,500 |  |
| Driveway | 9 | $4,200 |  |

1. What is the total amount that should be saved each month?
2. Assume that when you moved in, the fridge was four years old. How would you adjust your monthly savings, assuming the replacement cost is the same?