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Why It May Be a Mistake to Spend Big Money on an Engagement Ring

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Thinking about proposing to your girlfriend? Get ready to fork over some serious cash. The average guy spent [\\$5,855 on an engagement ring](#) for his bride-to-be in 2014, according to [wedding website The Knot](#). A few big spenders may be driving that number upward (most Americans think that \$2,311 is a more reasonable amount to spend, according to a 2014 survey by [American Express](#)), but any way you slice it, an engagement ring is often a big purchase.

Yet heading to the jewelry store with the idea that you need to drop thousands of dollars on a sparkly rock isn't a smart way to start the hunt for the perfect ring, say experts. Neither is setting a budget based on your one-month or [three-months salary](#) (both commonly cited guidelines).

“I’ve never been a fan of following any hard and fast rules when it comes to any type of purchase or investment, so I do not think it makes sense to follow the three-months salary rule,” David Bakke, a personal finance expert with [MoneyCrashers](#), told The Cheat Sheet. “You should do your homework and choose an amount that makes sense for you based on your personal situation.”

So, if you're flying high right now and have cash to burn, feel free to splurge, provided you've educated yourself about what to look for in a diamond (the 4Cs: [cut, clarity, color, and carat](#)). But if your job situation is shaky or you have [a lot of debt](#), set your ring budget accordingly. Likewise if your future fiancé is more budget-minded. “If your future spouse is of a savings mindset, dropping a ton of cash on an engagement ring might come off as reckless,” warned Bakke.



Source: iStock

The smartest move is to choose a ring that you can afford to pay cash for, even if it's not as large as you (or your fiancée) might want. Keep in mind that you can always upgrade to a fancier ring later, which can be a meaningful gesture on an anniversary or birthday.

While many jewelry stores will offer you the option to buy the ring on credit, that can be a risky proposition, especially if it means entering your marriage on shaky financial ground.

“[I]t's hard to start a new relationship and plan for the wedding (which every girl wants to do right away) when you're carrying debt and making payments,” Christopher Cannon, a financial planner with [RetireRight Pittsburgh](#), told The Cheat Sheet.

If you must borrow, put the purchase on a no-interest credit card and pay it back promptly, advises Bakke. But whatever you do, don't make the mistake of thinking of the engagement ring as an investment that will increase in value.

“A [diamond ring](#) is not an investment in the sense of making a return on your money because you will never get what you put in it back out,” said Cannon.

One reason diamonds are a poor investment is because they aren't as rare as you might think. Much of gemstones' perceived value is the result of an aggressive marketing campaign by [DeBeers](#) that began in the 1930s and really took off in 1948, when a copywriter coined the phrase “[a diamond is forever](#).” People pay a lot for diamonds today because the industry — and one powerful company in particular — has convinced most people that they are worth a lot of money. In reality, they're more like a car.



Source: iStock

“Retailers mark [diamond rings] up so high, they depreciate as soon as you walk out of the store,” explained Ed Snyder, a certified financial planner with [Oaktree Financial Advisors](#) in Carmel, Ind.

So, if you or your wife-to-be end up in a situation where you need to sell the ring, prepare to be disappointed. Bakke says you can expect to get about 60% of what you paid if you later need to pawn the ring. Those who've sold their own rings echo his estimate.

“After [my] divorce, I was only able to sell my diamond for half of the appraised value,” [certified financial planner Cecilia Brown](#) told The Cheat Sheet.

While disappointing for sellers, rock bottom prices on used rings can be a boon for anyone who looking to get a deal on a diamond. Bargain-hunting grooms should check out pawn shops, as well as stores that specialize in antique and [estate jewelry](#). There's also a vibrant online market for

secondhand rings at sites like [I Do Now I Don't](#).

Men who want to present their fiancée with a truly unique ring can also look to family heirlooms, which marry sentimental value with affordability.

“Offering a ring that’s been in the family is a lovely and romantic way to propose,” relationship expert [April Masini](#) told The Cheat Sheet. It’s also a smart alternative to “spending thousands on a new engagement ring at a time when money may be tight,” she said.



Source: Thinkstock

Whether you are looking to spend a lot or a little, it may also be worth considering alternatives to the traditional large diamond. Clusters of small diamonds, known as a pavé setting, can be more affordable than a single large stone, for example. Krish Himmatramka, the CEO of [Do Amore](#), a company that makes ethical engagement rings from recycled materials, suggests looking at [moissanite](#) (an almost colorless, lab-created stone) or sapphire (which is nearly as hard as a diamond).

Given the huge variety of rings out there and the pressure to pick the perfect one, it’s easy to get overwhelmed. But if you can start by determining a clear budget and getting a feel for the kind of ring your girlfriend would prefer, you’ll likely make a smart choice. And you won’t be alone if you

don't spend a lot. Thirty-eight percent of people surveyed by American Express thought it was best to spend under \$1,000 on the engagement ring. Researchers at Emory University have [even found evidence](#) that spending less on an engagement ring makes it less likely you'll get divorced later. It appears that money really can't buy you love.

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