

FINOPS · TEMPLATE

Savings Plans vs. Reserved Instances vs. On-Demand: The *Commitment* Decision

KAANSYSTEMS.COM/LIBRARY/SAVINGS-PLANS-VS-RESERVED-INSTANCES · SEPTEMBER 16, 2026

ABOUT THIS TEMPLATE

Savings Plans beat Reserved Instances for compute for most regulated SMBs: commit to a \$/hr, keep flexibility. Rightsize first, then cover 70-80% of baseline.

THE TEMPLATE

Work top to bottom. The first section gates the rest — if you have not rightsized, do not buy anything yet.

Before you commit (rightsizing first)

- ☐ Rightsizing pass complete; over-provisioned instances downsized and idle/orphaned resources deleted
- ☐ Stable baseline separated from spiky/seasonal usage in Cost Explorer
- ☐ Committed spend is attributable to a team/service via tags, so someone owns each renewal
- ☐ You are committing against the workload you need, not the one that accreted

Sizing the commitment

- ☐ Coverage target set at ~70-80% of the stable baseline, not 100%
- ☐ Spiky/uncertain usage left on On-Demand; interruptible batch moved to Spot
- ☐ Cost Explorer Savings Plans recommendations pulled and sanity-checked against your own baseline number
- ☐ You have accepted that Savings Plans are non-refundable and non-resellable before sizing them

Choosing the instrument

- ☐ Compute Savings Plan chosen for compute unless a baseline is truly locked to one family+region
- ☐ EC2 Instance SP / Standard RI reserved only for the settled, durable portion

- ☐ Reserved Instances (or reserved nodes) bought for non-compute steady-state (RDS, ElastiCache, Redshift, OpenSearch)
- ☐ Convertible RIs avoided for new commitments (Compute SP replaces them)
- ☐ Capacity actually guaranteed (zonal RI / Capacity Reservation) where availability, not just price, is the requirement

Term and payment

- ☐ 1-year term when there is any uncertainty; 3-year only for genuinely durable workloads
- ☐ Partial-upfront chosen as the default; all-upfront only when the discount delta justifies the cash
- ☐ Discounts verified against current AWS pricing, not this article's approximate figures

After you commit

- ☐ Savings Plans / RI utilization + coverage dashboards reviewed monthly
- ☐ Renewal dates calendared so nothing lapses silently back to On-Demand
- ☐ Commitment review folded into the quarterly cost-cleanup cadence

Most teams find they have been either over-committed on the wrong instrument or entirely uncommitted and paying full On-Demand. Both are normal starting points. The path out is the same: rightsize, then commit to the durable 70-80% with the most flexible instrument that fits, and revisit it every quarter.

— WHAT ARE ON-DEMAND, SAVINGS PLANS, AND RESERVED INSTANCES?

They are three ways to pay for the same compute, trading flexibility for discount. On-Demand is pay-as-you-go: the list rate, no commitment, turn it on and off whenever. Savings Plans and Reserved Instances are both commitments — you promise AWS a certain amount of usage for one or three years, and in exchange the per-hour rate drops. The difference between them, and the difference between the flavors within each, is *what exactly you are committing to*.

- **On-Demand** — the baseline. Highest price per hour, total flexibility, zero commitment. This is what everything costs before you optimize.
- **Compute Savings Plan** — you commit to a dollars-per-hour spend (for example, \$10/hr) for 1 or 3 years. It floats: the discount applies to EC2 across any family, size, region, and OS, and to Fargate and Lambda too. Slightly lower discount than the locked options, in exchange for that flexibility.
- **EC2 Instance Savings Plan** — same dollars-per-hour commitment model, but locked to one instance family in one region (size and OS still float). Higher discount than the Compute plan, because you have given up most of the flexibility.

- **Standard Reserved Instance** — the older mechanism. You reserve a specific instance type for the term. Highest discount of the RI options, but locked; its one escape hatch is that you can sell it in the AWS Reserved Instance Marketplace if you no longer need it.
- **Convertible Reserved Instance** — an RI you can exchange for a different configuration during the term, at a lower discount, and which you cannot resell.

The mental model that matters: **Savings Plans commit to spend; Reserved Instances commit to instances.**

Committing to spend is almost always the more forgiving promise for a team that is still rightsizing and still changing shape — which describes every SMB at 10 to 80 engineers.