PLANES, TRAINS AND (MOSTLY) AUTOMOBILES
OR
THE ROAD TO FINANCIAL RUIN

Presented by

Michael Sullivan, Ed.D.
THE LEADING CAUSE OF FINANCIAL DISTRESS

The IRS says it cost 56.5 cents per mile to drive a car
That is $5.65 to get a gallon of milk from a store 5 miles away

Milk at $8.00 a gallon!
So drink beer
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17% of households budgets goes towards transportation

- There is no appreciation
- There is no financial gain
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A solution?

• Walk
• Bicycle
• Bus
• A vehicle costing less than 56.5 cents per mile
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AAA says:

• A small sedan costs 46.4/mile
• A medium sedan costs 61/mile
• A large sedan costs 75/mile
• An SUV 4WD costs 77.3/mile
THE LEADING CAUSE OF FINANCIAL DISTRESS

THE END
Still too long
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The automobile is:
• Freedom
• Expression
• Opportunity
• Image
• Social Acceptance
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The value may be beyond calculation!
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The cost can be calculated:
Purchase Price
Gas and Oil
Maintenance
Insurance
License and Registration
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2013 Hyundai Elantra $16,712
At 4% for 48 months 377/mo.
MD Insurance 79/mo.
Gas, Oil 143/mo.
Registration 13/mo.
Maintenance 25/mo.
Total $637/mo.
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Monthly Income to Support $637:
$4,250  ($51,000 Annual Net)

Average Teacher Salary: $57,810 Gross;
$41,045 Net or $3,420 per month
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The Take Away:
The Average Teacher Can’t Afford to Buy a New Elantra
Most students wouldn’t be caught dead driving an Elantra
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The Average Price of a New Car:

$30,748
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So Why Are Teachers So Interested in Buying a New Elantra?
Because the 1994 Escort doesn’t always start
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Most Everyone Believes that Reliable Transportation is a Need,
And,
Most Americans List a Status Vehicle as their Top Want (Over 90% of ages 16-18)
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The U.S. is an Automobile Culture:
• Drive Throughs (Thrus?)
• Suburbs
• Lack of Trains/Streetcars
• Unattractiveness of buses
Who wants their first time to be in a bus?
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Americans Find Identity in Vehicles:
• The Pick-Up Truck as a Statement
• A BMW as a Statement
• An Old Honda Civic as a Statement
• A Harley as a Statement
• “Chick Cars” and “Stud Mobiles”
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• Stud Mobile
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• Chick Car
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- Teacher Mobile
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• How Can You Make a Statement When You Can’t Afford to Buy?

• Lease

• Buy used
Or just steal
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• Why Lease?
  • More car than you can afford to buy
  • Image enhancer
  • Never have to deal with an old car
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- Why not Lease?
  - Never get any equity
  - Risk of too many miles
  - Misleads relatives about your finances
Who tries to borrow from a teacher?
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• Why Buy Used?
  • Lower purchase price
  • Lower insurance costs
  • Lower taxes
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• Why not Buy Used?
  • Higher maintenance costs
  • No included warranty
  • Less prestige
  • Higher interest rates
  • No new car smell
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So How Do You Decide What To Do?

Start with $$$

• Determine your down payment and multiply it by 10
• Determine your maximum car payment (10% of your monthly take home pay or less)
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For Example

• You have $2,000 for a down payment so you can spend up to $20,000
• You earn $4,000 a month so you can pay up to $400
• You could pay $20,000 in 48 months
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Why do I need a down payment?

• So you are not upside down on the loan
SHOULD YOU VISIT A DEALERSHIP

No

• Use a buying service such as AAA, Costco or Sam’s Club
COSTS ADDED ONTO A CAR BY DEALERS

- Destination charges
- Extended warranties
- Dealer prep
- Credit insurance
- Undercoating
HOW DO YOU BUY A USED CAR?

Go to Sun City Arizona and look in the community newspaper
If you want a 1999 Mercury
FINANCING A CAR: WHERE?

• The dealership
• Banks and credit unions
• The Internet
FINANCING A CAR: HOW LONG:

• The number of months you will drive the car,
• Minus 14

• That is, finance for 36 months, drive for 50 months; finance for 48 months drive for 62 months
FINANCING A CAR: HOW LONG:

WHY?

• By saving 14 months worth of car payments, you will *double* the amount you can spend after just two car purchases or pay cash after three car purchase
Or you can buy two Elantras
## 0% or Discount?

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OTHER FORMS OF TRANSPORTATION

Buses
• Mostly non-existent

Bicycling
• Dangerous

Carpooling
• With whom?
OTHER FORMS OF TRANSPORTATION

Segue
• Just stupid

Air
• $568.80 from Phoenix to Baltimore with no assigned seat (and a senior discount)

Train
• 3 days from Baltimore to Phoenix
Q & A

Take Charge America is a nonprofit organization providing financial education, credit counseling, housing counseling and debt management.

To learn more, visit www.TakeChargeAmerica.org.