

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



THE LEADING CAUSE OF FINANCIAL DISTRESS

17% of households budgets goes
towards transportation

- There is no appreciation
- There is no financial gain



THE LEADING CAUSE OF FINANCIAL DISTRESS

A solution?

- Walk
- Bicycle
- Bus
- A vehicle costing less than 56.5 cents per mile



THE LEADING CAUSE OF FINANCIAL DISTRESS

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



THE AMERICAN LOVE AFFAIR

The automobile is:

- Freedom
- Expression
- Opportunity
- Image
- Social Acceptance



THE AMERICAN LOVE AFFAIR

The value may be beyond
calculation!



THE AMERICAN LOVE AFFAIR

The cost can be calculated:

Purchase Price

Gas and Oil

Maintenance

Insurance

License and Registration



THE AMERICAN LOVE AFFAIR

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.





THE AMERICAN LOVE AFFAIR

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



THE AMERICAN LOVE AFFAIR

The Take Away:

The Average Teacher Can't Afford to
Buy a New Elantra



Most students wouldn't be caught
dead driving an Elantra



THE AMERICAN LOVE AFFAIR

The Average Price of a New Car:

\$30,748



THE AMERICAN LOVE AFFAIR

So Why Are Teachers So Interested in
Buying a New Elantra?



Because the 1994 Escort doesn't always
start



THE AMERICAN LOVE AFFAIR

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)



THE AMERICAN LOVE AFFAIR

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?



THE AMERICAN LOVE AFFAIR

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”

THE AMERICAN LOVE AFFAIR

- Stud Mobile



THE AMERICAN LOVE AFFAIR

- Chick Car



THE AMERICAN LOVE AFFAIR

- Teacher Mobile



THE AMERICAN LOVE AFFAIR

- How Can You Make a Statement When You Can't Afford to Buy?
- Lease
- Buy used



Or just steal



THE AMERICAN LOVE AFFAIR

- Why Lease?
 - More car than you can afford to buy
 - Image enhancer
 - Never have to deal with an old car



THE AMERICAN LOVE AFFAIR

- Why not Lease?
 - Never get any equity
 - Risk of too many miles
 - Misleads relatives about your finances



Who tries to borrow from a teacher?



THE AMERICAN LOVE AFFAIR

- Why Buy Used?
 - Lower purchase price
 - Lower insurance costs
 - Lower taxes



THE AMERICAN LOVE AFFAIR

- Why not Buy Used?
 - Higher maintenance costs
 - No included warranty
 - Less prestige
 - Higher interest rates
 - No new car smell



THE AMERICAN LOVE AFFAIR

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)



THE AMERICAN LOVE AFFAIR

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



THE AMERICAN LOVE AFFAIR

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?

	Manufacture	Bank/Credit Union
Purchase Price	\$23,000	\$20,000
Loan Amount	\$23,000	\$20,000
Rate (APR)	0%	5%
Monthly Payment	\$383.33	\$377.42
Term	60 months	60 months
Total Loan Repayment	\$23,000	\$22,645

OTHER FORMS OF TRANSPORTATION

Buses

- Mostly non-existent

Bicycling

- Dangerous

Carpooling

- With whom?



OTHER FORMS OF TRANSPORTATION

Segues

- 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.