

PART ONE

Why You're
Better Off
Not Owning
a Car

CHAPTER I

The Car-Free Way to Financial Freedom

“Your car is no longer a chariot of freedom; it’s a money-sucking horse that gets you to the office.”

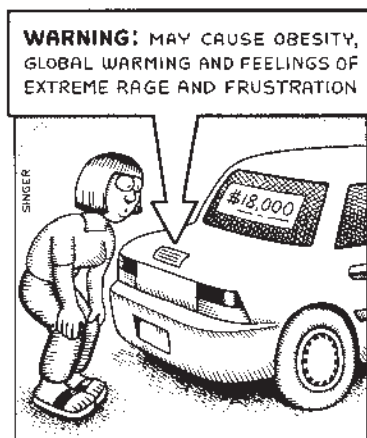
—*Men’s Health* MAGAZINE

If you currently own or lease a car, truck, or SUV, this book has the power to give you the equivalent of a \$5,000 to \$10,000 raise. Following the program in these pages can help you slash your monthly expenses, pay off your credit cards, build an investment portfolio, save for a house, and possibly pay off your mortgage early. You

could even become a millionaire, or retire at age forty. Regardless of your income level, this book can help you keep more of your money and lead a richer life.

And financial benefits are just the beginning. You’ll also learn how not owning a car is liberating, rewarding, and fun. Without a car to constantly take care of, you’ll have fewer hassles, lower stress, less aggravation, and less to worry about. You may even find you

have more free time. With no car in your life you may also improve your health, get more exercise, lose weight, and sleep better. In other words, you’ll be happier, healthier, and *much* wealthier.



Best of all, practically anyone can live happily without owning a car—or as many people call it, living “car-free.” This program is not abstract theory. It’s not a fringe concept applicable to a select few. It is a broad-based, step-by-step process that almost anyone in mainstream America can follow to start saving money right away. Even if you’re convinced you “need” a car, this program may change your mind.

What This Book Is

How to Live Well without Owning a Car is a personal finance and lifestyle book. It is a simple program that can dramatically improve your finances, your quality of life, and your peace of mind. According to *Kiplinger’s Personal Finance* magazine, the best way to cut costs and save money is to go after one big expense, rather than a bunch of little ones. This book will show you how. And it’s a lot easier than you think.

This book isn’t written for people who live in New York City, where it’s common not to own a car. The program is designed for people who live in the rest of America: in cities like Omaha, Phoenix, Los Angeles, San Francisco, Boston, St. Louis, Cincinnati, Chicago, Philadelphia, Salt Lake, Seattle, Miami, Sacramento, Washington, D.C., and so on. You can also live well without a car in smaller towns like Oxford, Ohio; Columbia, Missouri; and Eugene, Oregon.

The purpose of this book is to show you one heck of an easy way to save a ton of money.

CAR-FREE IN PORTLAND, OREGON

Because I don’t own a car and haven’t had to make car and insurance payments, or pay for gas, I have been able to save literally about \$65,000. Instead of spending it on a car, this money has gone into my house and rental property (duplex) that I own, as well as helped me start a retirement account. Plus, once I started commuting by bicycle I lost twenty-five pounds!

—Linda Ginenthal, 45

Furthermore, this book is about living well without *owning* a car. It doesn't mean you won't ride in one or drive one occasionally. You will. You may even decide to keep your car, but use it less. This book will show you how.

Who Should Read This Book

Anyone who owns or leases a car or truck should read this book. If you have two or more cars, read it tonight! You should also read this book if:

- You're fed up with high gas prices
- You think owning a car is a hassle
- You have financial problems
- You worry about money
- You have credit card debt, student loans, or personal loans
- You long for the freedom and serenity of a debt-free lifestyle

With no exaggeration, this book can change your financial life, even if you go car-free for only a short time. But it's not just for people with troubled finances. This book is for you if:

- You're a renter and you want to save for a down payment on a house
- You want to pay off your mortgage in ten years, instead of thirty
- Your goal is to retire from full-time work in your forties
- You just want to work less and have more free time

Or maybe you feel your life is too complicated. Going car-free can simplify your life in one bold step. You'll have fewer bills to pay, less paperwork to do, and fewer complications in your life.

CAR-FREE IN GLENDALE, MISSOURI

Living car-free would be possible for most people if they put their minds to it and are willing to change their routines. I would say I'm saving about \$500 a month on the usual suspects: gas, maintenance, repairs, car insurance, payments, personal property tax, license plates, inspection, city sticker. Ahhh, how glad I am to bid it all farewell!

—Rudy Schwarz, 53, architect

If you've already adopted a car-free or car-lite lifestyle, this book will help you maximize enjoyment, minimize hassle, and boost personal fulfillment. And if you follow the steps in chapter 22, your social life will soar.

Americans Spend One-Fifth of Their Income on Cars

According to the U.S. Bureau of Labor Statistics 2003 Consumer Expenditure Survey, the average American spends eighteen cents of every dollar earned on transportation. And 98 percent of that transportation spending is for “the purchase, operation, and maintenance of automobiles.” That makes our cars the second largest expense behind housing. And by the way, that 18 percent figure may be low; it was calculated using the average price of gasoline in the year 2003, which was \$1.55 per gallon.

Other research has also shown that Americans spend a big chunk of their income on cars. According to a 2004 American Automobile Association study, the average American spends \$8,410 per year to own a vehicle. That's equal to \$700 per month! The figure includes car payments, insurance, gas, oil, car washes, registration fees and taxes, parking, tolls, and repairs. You'll see those average AAA numbers used to calculate some of the financial examples later in this book. But, of course, “average” does not necessarily mean typical, and the amount Americans spend on their cars varies widely. The only way to know for sure how going car-free will affect *your* bottom line is to run the numbers for yourself. A worksheet in the next chapter will walk you through the calculations. But for now, just think about how your life would change if you had hundreds more dollars to spend (or save) every month.

CAR-FREE IN SANTA CRUZ, CALIFORNIA

I have been car-free since 1992. I have saved \$150,000 since I sold my car, while earning between \$5 and \$15 per hour and working only twenty to forty hours a week. I heartily recommend car-free living. The adjustment can be hard to make, but the process itself is meaningful and leads to a better life.

—Micah Posner, 37, director of a nonprofit

CAR-FREE IN MINNEAPOLIS, MINNESOTA

I was seriously thinking about buying a car, but when I crunched the numbers I realized I would be better off doing without the car and buying a house instead. The fact that I don't own a car allowed me to qualify for a mortgage to buy a home on a small nonprofit salary. The rest is history. The house is a much better investment than the car would have been. Now I'm on track to retire at age fifty. Forget about the Volkswagen Bug and its dashboard flower. It's a lie.

—Matthew Lang, 29, community organizer

Show Me the Money

Let's consider what would happen if you invested your money, instead of spending it on a car. Are you ready for some shocking numbers? That AAA average annual cost to own a car of \$8,410 invested at an 8 percent annual return over thirty years would be worth \$1,043,251.

So if you adopt a car-free lifestyle over the long term, quite possibly you could become a millionaire. Imagine, a million-dollar net worth *just by not owning a car!* And that doesn't include any other savings or 401(k) money you might be investing.

On the other hand, thirty years is a long time. So what if you live car-free for a shorter period? Based on AAA's numbers (\$700 a month) and an 8 percent annual return, going car-free would still have a dramatic impact on your finances.

\$700 A MONTH INVESTED AT AN 8 PERCENT ANNUAL RETURN		
TIME	CAR-FREE SAVINGS	WHAT YOU COULD DO WITH THAT MONEY
3 months	\$2,100	Establish an emergency rainy-day fund
6 months	4,200	Fund an IRA retirement account
1 year	8,410	Pay off credit card debt
2 years	18,153	Make a down payment on a house
3 years	28,374	Start a business or buy rental property
5 years	51,433	Pay cash for a child's college education
10 years	128,062	Pay off your mortgage
20 years	412,314	Retire early or semi-retire from full-time work
30 years	1,043,251	Pop the cork—you're a millionaire!

As you can see, the longer you go without owning a car, the greater the financial benefit. So the key to successfully using this book to reach your financial goals is simple: you must not merely *survive* without a car, you must learn to *live well* without a car. If you apply the advice in this book in the way that works best for you, living car-free will be a joy, not a struggle, and you may never want to own a car again.

WHY 8 PERCENT?

I chose to use an 8 percent investment return in the examples above because the long-term average annual returns of investing in the stock market exceed 8 percent. For example, the average annual total return for the S&P 500 stock market index (as of January 31, 2006) is as follows: one year, 10.38 percent; three years, 16.42 percent; and ten years, 8.99 percent.

\$700 A MONTH INVESTED AT A 5 PERCENT ANNUAL RETURN	
TIME	CAR-FREE SAVINGS
3 months	\$2,100
6 months	4,200
1 year	8,595
2 years	17,631
3 years	27,131
5 years	47,616
10 years	108,756
20 years	288,058
30 years	583,668

However, investing in the stock market involves considerable risk, and is best suited for long-term investment (five years or longer). Also, past performance is no guarantee of future returns. So investing in the stock market is certainly not suitable for everyone. Therefore, I have included additional examples in this book based on a 5 percent average annual return. Five percent is a more likely return for conservative

CAR-FREE IN WASHINGTON, D.C.

This year I purchased a condo. Because I didn't have a car—or a car payment—more of my income could be used to qualify for a higher mortgage. So rather than spending \$600 per month on a depreciating asset I was able to invest it in an appreciating one. At 5.75 percent interest my \$600 per month supports over \$100,000 in mortgage. In the eighteen months since I signed my purchase contract my place has appreciated 26 percent.

—Jeff Baker, 43, computer programmer

investors, or for short-term investors who are not investing in the stock market. It is always a good idea to seek professional financial advice before investing in the stock market or any other volatile investment vehicle.

The Car-Free Way to Financial Freedom

Have you ever dreamed of taking six months off work to travel the world? Or maybe taking a year off to write a book? Or quitting your job to go back to graduate school? Sadly, for most people these things are simply not possible because their monthly expenses are too high, and they don't have enough savings.

When you live car-free, your monthly expenses drop dramatically and your savings can skyrocket. This powerful combination can give you the freedom to live life on your terms. Hate your job? Then quit, and take your time finding a new one. Does your wife want to stay home and be a full-time mom? She can. Would you rather work for a nonprofit, even though it would require a pay cut?

THE TRUE COST OF OWNING AN SUV

The American Automobile Association's annual cost estimate of \$8,410 is for an "average" car. And the total cost is based on the average price of gasoline in 2004, which was \$1.83 per gallon. But SUVs are not average cars; they burn more fuel, cost more to buy, and they're more expensive to insure. According to AAA, here are the average annual costs to own some popular SUVs.

SUV MODEL	ANNUAL COST
2004 Chevy Tahoe	\$10,406
2004 Jeep Grand Cherokee	9,985
2004 Ford Explorer	9,843
2004 Toyota Sequoia	9,787
2004 Acura MDX	9,690
2004 Dodge Durango	9,587

Do it. This is financial freedom: the ability to make life decisions not based on financial concerns. When you live car-free, you can have this type of financial freedom.

"He that can live sparingly need not be rich."

—BEN FRANKLIN

You Can Live Well without a Car

As you are beginning to see, there are enormous financial benefits to living car-free. You'll read about more of these benefits in chapter 2. But can you really live in America without owning a car? And can you maintain your normal activities and your normal social life? The answer to both questions is yes.

Despite the fact that we live in a car-centered culture, not only can you *live* without a car, you can *live well* without a car. And if you follow the hundreds of tips and strategies in this book, living car-free can become downright easy. You'll learn how to get to

CAR-FREE IN KAMLOOPS, BRITISH COLUMBIA

My wife and I sold our car in October 2002. While we had no trouble affording the expense, economically it didn't make any sense to carry such a high fixed cost. Now I ride my bike to work or take public transit. Once in a blue moon (every three or four months) we'll rent a car to handle long distances or heavy loads.

We're saving roughly \$7,000 per year by not having a car. That money goes toward paying down our mortgage sooner. We bought a home two years ago and we'll have it paid off in three more years. Once the house is paid off, we'll have an additional \$15,000 per year in disposable income. While we could afford to buy several cars, we can think of far more fun things to do with that kind of financial freedom.

Needless to say, we recommend a car-free lifestyle to everyone—especially people who are struggling with debt, people who are overweight, those who feel socially isolated, and anyone looking to do more for the environment.

Can anyone live without a car? Absolutely! Every circumstance has a car-free answer. Got kids? Get bikes with trailers. When the kids are old enough, buy bikes for them. Live too far from work? Move closer to work and ditch the car. Overweight or out of shape? Getting rid of your car will whip you into shape. People too easily buy into the myth that you must drive to survive. And it's just that, a myth.

—Lenard Segnitz, information technology manager

work, how to get your shopping and errands done, how to maintain a vibrant social life, and how to overcome car-free challenges with creativity. By following the step-by-step program in this book, you will soon be smiling on your way to the bank, instead of frowning on your way to the gas pump.

The way I see it, my job is to teach you everything you need to know to live in America without owning a car. Deciding what to do with all the money you're about to save is up to you.

CAR-FREE IN CAMBRIDGE, MASSACHUSETTS

I hear people talking about how they couldn't live without a car. Then a few conversations later, they'll complain that their job doesn't pay enough and they don't have any money, without seeing the connection. The money I've saved from living car-free has helped me fund things like bike trips to Ireland and visits to farms in Tuscany, Italy.

—Jeffrey Rosenblum, 37, consultant

CAR-FREE IN CHICAGO, ILLINOIS

I spent what seemed like a lot of money at the time (I paid \$104,000 in 1990) to purchase a home inside Chicago, close enough to where I work that cycling is easy, I can walk if I must, and I can ride a train or a bus if weather is really foul. However, the big up-front expense turned into a huge bargain over the years. Many others are also now finding the same neighborhood desirable for the same reasons, and instead of an expense my home has become quite valuable. I don't have an exact value because I haven't sold it, but similar properties are currently selling for about \$400,000.

—Todd Allen, 40, computer programmer

CAR-FREE IN PROVO, UTAH

Cars are depreciating assets. You buy a new or used car and keep plowing money into it, then at the end of the day you sell it for a fraction of what you paid for it. On the other hand, if you choose to spend more money on where you live, you are making an investment in an appreciating asset. When I invest that money into my home, that asset appreciates. My net worth has been growing at around \$2,000 per month for the last two years as I pay down debt and accumulate savings. I couldn't be doing that if I were spending money on a car. I'm convinced that this is the biggest issue in this discussion that virtually nobody talks about.

—Travis Jensen, 29, engineer

CAR-FREE IN HARTFORD, CONNECTICUT

I finished my master's degree and paid for my doctorate with money that would have been used to own and support a car habit.

—Dr. Malaika Sharp, computer science instructor and martial arts instructor

CHAPTER 2

The True Financial Costs of Owning Your Car

*“If you buy what you don’t need,
you steal from yourself.”*

—SWEDISH PROVERB

Owning a car is an enormous financial drain—one that millions of Americans could easily avoid. When you buy a new car you are spending thousands of dollars on an asset that will lose 20 percent of its value the day you buy it, lose another 10 to 15 percent of its value each year thereafter, require you to go into debt to pay for it, make you pay interest on the amount you borrowed to buy it, and force you to spend hundreds of dollars a month to continue to own it.

Car ownership can quietly rob you of a secure retirement. It can destroy your ability to save for college, start a business, or invest for the future. It can prevent you from working less and enjoying life more. And most of all, it may deny you the peace of mind that comes with financial freedom.

Are You Clueless about Car Costs?

Cars are a serious drain on personal finances, but for some reason people don’t see this. Most people have little idea just how much

CAR-FREE IN PITTSBURG, CALIFORNIA

I work full-time about five months a year. The rest of the year I am “retired.” I figure if I felt that I needed to own a car, I’d have to work full-time year-round.

—Bruce “Ole” Ohlson, 56, cement truck driver

their car is costing them. If you ask someone what they spend each month on housing, you’ll get a pretty accurate answer. “My rent is \$800, cable is \$50, electricity is about \$70, and phone is \$65.” But when you ask the same person how much their car costs each month, they generally have no clue. Or they just add up the car payment, gas, and insurance, believing that’s all there is to it.

This gross underestimation of how expensive cars are to own is so widespread it’s a national epidemic. This lack of understanding is fueled by an endless barrage of automobile advertising purposely designed to make cars seem more affordable than they really are. Commercials that promise “A brand new car for \$199 a month! Just \$199 a month!” are so misleading they should be illegal.

*“Advertising: the science
of arresting human
intelligence long enough
to get money from it.”*

—STEPHEN B. LEACOCK,
ECONOMIST

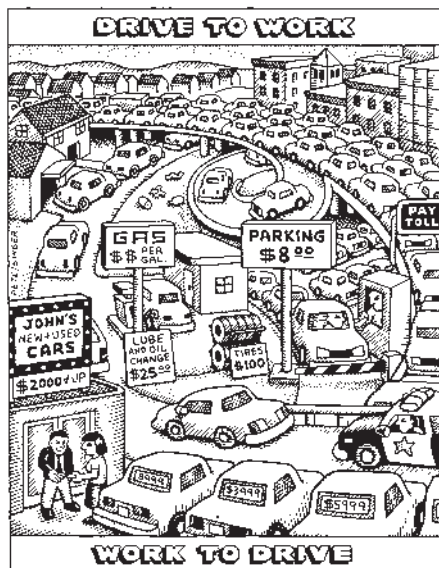
CAR-FREE IN ST. LOUIS, MISSOURI

My decision to get rid of my truck was a financial one. While I could afford the payment, the insurance, the gas, and the occasional parking tickets, it relieved considerable pressure not to have to do so. So I sold my Ford Ranger pickup truck and found I could indeed live relatively easily without an automobile.

The many, many costs associated with cars add up so quickly and silently, usually you don’t even notice them. You only notice how little money you have in your bank account and wonder why. Not having a car allowed me to move to a newer, nicer apartment in a better area—closer to work. And I can now easily afford to go out to dinner and movies.

My financial situation is also more predictable without an automobile. I never knew when something would break and cost anywhere from \$50 to \$1,000. In those situations I felt totally at the mercy of repair shops. Car-free life does require making small adjustments in your routine and how you accomplish certain tasks. But with a little creativity and knowledge I think almost anyone can live car-free. I highly recommend it.

—Marcel Fremont, 26, laboratory technician



How many college students do you know who are so broke they can only afford mac-n-cheese for dinner, yet they just bought a new car to get them to and from class? They probably thought, “I can afford \$199 a month.” How many working adults do you know who constantly complain about money problems, yet they just leased a brand-new SUV? The reality is that cars come with dozens of unavoidable expenses that the average car owner either doesn’t notice, doesn’t want to notice, or just accepts as part of life without giving any real thought to the consequences.

In this chapter we’ll help you figure out what your car is really costing you. We’ll begin with the obvious costs. Then we’ll take a look at some not so obvious costs, like depreciation—a huge expense that most people don’t understand. If you’re a car owner, these expenses are quietly conspiring to steal your money and rob you of financial security.

Cars Cost Twice as Much as You Think

The first concept you have to grasp is that the amount of money it costs to *buy* a car is very different from the amount it costs to *own* a

CAR-FREE IN DAVIS, CALIFORNIA

Because I don’t own a car I can eat out a lot. I am a serious food fan, but that’s okay; since I walk and bike a lot it doesn’t accumulate. And I am paying off student loans lickety-split.

—Molly Wright, transportation planner

car. One of the best resources for computing the total cost to own a vehicle is the car-buying website www.edmunds.com. This highly regarded site primarily offers reviews and ratings of various car models. But it also has one of the best car cost calculators I’ve seen. They call it True Cost to Own (TCO). You just select the year, make, and model, and Edmunds.com will tell you how much it will cost to own that vehicle over a five-year period. It’s usually about double the purchase price.

Here’s an example. A brand-new 2005 Ford Explorer XLS has a cash purchase price of \$22,132. But according to Edmunds.com, the True Cost to Own that Explorer over five years is actually \$44,177. So although your car payment may be around \$400 per month, the actual amount being sucked out of your wallet is more than \$700 per month.

Where is the difference coming from? To figure the true cost of owning a car, you must add up a lot more than just your monthly payment and insurance premiums. Edmunds.com includes the following costs in their calculations: depreciation, financing, insurance, taxes and fees, repairs, maintenance, and fuel for 15,000 miles per year. (Keep in mind the TCO does not include many other car-related expenses, such as parking, body repairs, AAA membership, and so on.)

CAR-FREE IN SAN FRANCISCO, CALIFORNIA

The reason many people think they need so much money is because they think they need a car. All the taxi rides, bike repairs, plane tickets, rental cars to get out of town, and bus passes add up to only a fraction of what car owners pay for their transportation. I pay about \$600 per year for transportation, including everything but planes. Planes cost me about \$1,000 per year for three to six trips. That totals \$1,600—less than many car owners pay just for gas.

—Joel Pomerantz, 44, tour guide

“Gas. Maintenance. Warranty. What else is there?”

—AD COPY FROM A JEEP/
CHRYSLER TELEVISION
COMMERCIAL, NOVEMBER 2005

2005 FORD EXPLORER XLS, PURCHASE PRICE: \$22,132 TRUE COST TO OWN						
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
Depreciation	\$10,924	\$2,162	\$1,902	\$1,687	\$1,513	\$18,188
Financing	1,215	978	724	453	164	3,534
Insurance	1,014	1,049	1,086	1,124	1,163	5,436
Taxes & fees	1,679	51	51	51	51	1,883
Fuel	2,006	2,066	2,128	2,192	2,258	10,650
Maintenance	373	634	447	1,581	776	3,811
Repairs	0	0	98	235	342	675
Yearly totals	17,211	6,940	6,436	7,323	6,267	44,177

Source: Edmunds.com

In the example above, notice that the Explorer's value dropped by half in the first year alone, and by more than \$18,000 over the five-year period. Depreciation expense is often overlooked completely when calculating a car's total cost, because a car owner never actually has to write a check payable to "depreciation." But make no mistake, you definitely pay for it. A portion of your car payment every month goes to cover some of this depreciation loss. So while you're making payments on a loan for a \$22,000 SUV, at the end of five years you're left with a vehicle that's only worth \$4,000. Spending \$44,000 to end up with something worth \$4,000 doesn't sound like a smart financial move to me.

So rather than spend \$44,000 over five years on an SUV that drops in value every year, what would happen if you saved and invested that money over the same sixty months? If you earned an 8 percent annual return in five years you'd be sitting on more than \$53,000 in cash. If you earned a 5 percent annual return you'd have more than \$49,000 in the bank. Now that's a smart financial move.

What About Used Cars?

The main thing you're saving when you buy a used car is that big first-year hit in depreciation. All the other expenses remain. And some of what you save in depreciation expense you may lose in higher repair cost. Once again, according to Edmunds.com, the net result is that a used car will cost you about double the cash purchase price over five years.

Let's consider a four-year-old Toyota Camry LE, for example. In 2005 you could buy a 2001 Camry LE for about \$12,251. According to Edmunds.com, the True Cost to Own that car over five years is actually \$26,411. That's more than double the purchase price.

2001 TOYOTA CAMRY LE V6, PURCHASE PRICE: \$12,251 TRUE COST TO OWN						
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
Depreciation	\$1,443	\$1,265	\$1,114	\$987	\$886	\$5,695
Financing	666	535	397	248	90	1,936
Insurance	820	849	879	910	942	4,400
Taxes & fees	791	51	51	51	51	995
Fuel	1,333	1,373	1,414	1,456	1,500	7,076
Maintenance	1,058	910	1,127	973	352	4,420
Repairs	225	328	380	442	514	1,889
Yearly totals	6,336	5,311	5,362	5,067	4,335	26,411

Source: Edmunds.com

So next time you're thinking about buying a car, new or used, take the cash purchase price and multiply it by two. Then seriously consider whether you're willing to spend all that money for something you may not really need. Bob Kurilko, a vice president at Edmunds.com, said some car buyers might find "they can afford to buy a car, but they can't afford to own it."

MORE TRUE-COST-TO-OWN EXAMPLES		
CAR MAKE AND MODEL	CASH PURCHASE PRICE	FIVE-YEAR TRUE COST TO OWN
2005 Suzuki Grand Vitara	\$17,985	\$36,767
2005 Ford Focus	\$14,773	\$29,043
2005 Nissan Sentra	\$14,096	\$28,310
2005 Volkswagen Beetle	\$18,195	\$29,566
2005 Chevrolet Cobalt	\$17,914	\$30,754
2005 Kia Sorento	\$18,836	\$38,136
2005 Ford Escape	\$18,839	\$33,075
2005 Honda Civic	\$16,646	\$26,608
2005 Toyota Corolla	\$16,765	\$27,527

Source: Edmunds.com

Why Do People Pay It?

At the risk of playing amateur psychiatrist, I often wonder why otherwise frugal people willingly spend so much money on their cars. I know people who are so thrifty they will not spend \$5 on a Subway sandwich for lunch (choosing a 99-cent can of soup instead). Yet they drive a brand-new Ford Escape SUV. I suppose they rationalize this \$600-per-month expense by telling themselves, “I need a car. How else would I get to work?” I also suspect they are unaware of what their car is *really* costing them.

Whatever the reason, it’s time to look at the numbers for your particular situation. Because to make a good decision, you must use accurate data. So let’s figure out what your car is really costing you.

DRIVE TO WORK / WORK TO DRIVE



CAR-FREE IN PITTSBURGH, PENNSYLVANIA

It seems that people often weigh the economic cost of transportation inconsistently. For example, I have heard people complain that the bus costs \$2, but not complain about the enormous amounts of time and money they put into their car. I suppose \$2 for the bus is cash, which one must physically hand over. A car, on the other hand, has many more hidden costs, which people seem to accept as a given without really questioning why they pay it. After living without a car you begin to see this. I guess my advice would be for people to weigh all the economic costs—time, money, aggravation, etc.—as fairly as possible.

—Jessi Berkelhammer, 28, graduate student

Figuring Out What Your Car Costs

The Edmunds.com True Cost to Own is a good start. And if you don’t have time to run the calculations suggested in this section, the TCO will do in a pinch. But their calculations are based on estimating a limited number of variables. And their formula includes only certain categories of expenses.

The only way to really know what your car is costing you is to calculate it yourself. The following worksheet lists most of the expenses associated with car ownership. Please take your time filling in the blanks and try to think of all your car-related expenses. At the end we’ll tally it all up and see how much of your hard-earned cash your car is consuming. You can also find this worksheet online at www.livecarfree.com.

It’s best to run these numbers based on a full year, because you won’t incur every expense in every month, and many will be lumped into certain times of the year. If you don’t have actual receipts and hard data, it’s okay to guess, but be as accurate as possible.

CAR COST WORKSHEET

<i>Expense</i>	<i>Annual Cost</i>
Total car payment (<i>x 12</i>) including sales tax	
Car payment late fees	
Total down payment divided by the number of years financed	
Other up-front dealer fees divided by the number of years financed (<i>destination charge, dealer prep fee, gas-guzzler tax, and so on</i>)	
Annual auto insurance premiums (<i>or monthly x 12</i>)	
Annual fuel cost	
Estimated annual depreciation*	
Annual state taxes/personal property tax	
Registration and license fees	
Emissions/environmental/smog test	
Repairs needed to pass smog test	
Car washes (<i>estimate based on number of car washes per month x 12</i>)	
Parking	
Monthly parking at work (<i>x 12</i>)	
Monthly parking at home (<i>x 12</i>)	
Parking at sporting events, concerts, etc.	
Airport parking	
Parking meters	
Valet parking at restaurants and clubs (<i>including tips</i>)	
Routine maintenance (<i>include all parts, labor, and tax</i>)	
Tune-ups	
Scheduled maintenance (<i>at mileage intervals</i>)	
Oil changes	
Transmission flush/lube	
Radiator/coolant flush	
Replace hoses and belts	
Replace windshield wiper blades	
Other routine maintenance	

*Calculate depreciation by taking the price you paid for the car, then subtracting the car's current trade-in value, available at Kelley Blue Book online (www.kbb.com), then dividing by the number of years you have owned the car. Or use figures from Edmunds.com TCO tables. If you lease your car, please see page 26.

CAR COST WORKSHEET

<i>Expense</i>	<i>Annual Cost</i>
Mechanical and electrical repairs (<i>include all parts, labor, and tax</i>)	
New brakes	
Muffler	
Alternator	
Starter	
Fuel pump	
Headlights, fog lights	
Mirrors	
Air and fuel filters	
Radio antenna	
Other	
Body and cosmetic repairs (<i>door dings, dents and scratches, touch-up paint, windshield chips, hail damage, and so on</i>)	
Tires	
New tires (include all parts, labor, and tax)	
Cost to repair flat tire(s)	
Cost of clothing ruined while changing flat tire	
Towing fees	
Tire rotation	
Wheel alignment	
Snow tires and chains	
New battery	
Car products, accessories, and subscriptions	
Satellite radio installation, parts, and labor	
Satellite radio subscription (<i>monthly fees, taxes, and surcharges x 12</i>)	
On-Star or satellite navigation subscription (<i>fees and taxes x 12</i>)	
AAA (<i>American Automobile Association</i>) membership	
Car alarm installation, parts, and labor	
Radar detector	

CAR COST WORKSHEET

<i>Expense</i>	<i>Annual Cost</i>
Cell phone charger	
Cleaners (e.g. Armor All, Windex, tire foam, wheel degreaser)	
Car wax, cloths, buffers	
Gas tank additives	
Windshield washer fluid	
Ice scraper	
Car stereo, amplifier, CD player, car iPod adapter, stereo speakers (include installation, parts, and labor)	
Air purifier, air fresheners, fuzzy dice	
Tools, wrenches, etc.	
Repair manuals, do-it-yourself books, parts	
Jumper cables, de-icer, sand, salt	
Maps and map books	
Hub caps, wheel locks, alloy wheels	
Seat covers, steering-wheel wraps	
In-car organizers	
Window shades	
Window tinting	
Car covers	
License plate frames, decals, pin-stripping	
Mud flaps, splash guards, running boards	
Interior floor mats	
Circuit breakers, fuses, and electrical connectors	
Tow hitch installation, hitch covers, and wiring	
In-car mobile phone installation and wiring	
Winter emergency kit	
Other car products	
Extended warranty cost (divide total cost by number of years of warranty)	

CAR COST WORKSHEET

<i>Expense</i>	<i>Annual Cost</i>
Parking tickets (include late fees, doubled fines)	
Speeding and traffic tickets (include late fees, doubled fines, court costs, and any increase in insurance premiums)	
Tickets for expired tags	
Towing and impound fees	
Traffic court fees	
DUI/DWI costs and fines	
Attorney fees	
Car theft/break-ins/vandalism (estimate total cost)	
Car crash costs and attorney fees (include any increase in insurance premiums)	
Medical bills from a car crash	
Lost work time and wages from car crash	
Property damage from a car crash	
Lawsuit from car crash (estimate total cost)	
Auto insurance deductible if you filed a claim	
Increase in premiums if you filed an insurance claim	
Locksmith fees for locking keys in car	
Cost to have new keys made	
Tolls	
Cost to have driveway shoveled after snowfall	
Cost for rock salt to spread on frozen driveway	
Cost to repair garage door that you drove into	
Cost to replace electric garage door opener	
TOTAL ANNUAL COST TO OWN YOUR CAR	
MONTHLY COST TO OWN (total divided by 12)	

Once you've calculated your total annual and monthly vehicle costs, examine the tables below. These tables will show you what the money you're now spending on a car would be worth if you saved it and invested it instead.

MONTHLY CAR COST	1-YEAR SAVINGS	2-YEAR SAVINGS	3-YEAR SAVINGS	5-YEAR SAVINGS	10-YEAR SAVINGS
\$250	\$3,112	\$6,483	\$10,133	\$18,369	\$45,736
350	4,357	9,076	14,187	25,716	64,031
450	5,602	11,670	18,241	33,064	82,325
550	6,847	14,263	22,294	40,412	100,620
650	8,092	16,856	26,348	47,759	118,914
750	9,337	19,450	30,401	55,107	137,209
850	10,582	22,043	34,455	62,455	155,504
950	11,827	24,636	38,508	69,803	173,798
1,050	13,072	27,229	42,562	77,150	192,093

If You Lease Your Car

If you lease your car you do not technically have depreciation, since you don't own the vehicle. However, you do have to give the car back at the end of the lease. This is essentially a balloon payment at the end of the loan. Additionally, all lease contracts require the lessee to pay a mileage overage fee for miles driven in excess of those allowed in the contract.

CAR-FREE IN OTTAWA, ONTARIO

Several years ago I came to a point financially where I could buy either a house or a car, but not both. I chose the house and never looked back. If you're a younger person who has bought into car culture and dreams of having a car, I recommend holding off on that because it's such a complete money drain. There are so many other opportunities open to you when you're not strapped to car payments.

—Lisa Routhier, 28

MONTHLY CAR COST	1-YEAR SAVINGS	2-YEAR SAVINGS	3-YEAR SAVINGS	5-YEAR SAVINGS	10-YEAR SAVINGS
\$250	\$3,069	\$6,297	\$9,689	\$17,005	\$38,841
350	4,297	8,815	13,565	23,808	54,387
450	5,525	11,334	17,441	30,610	69,914
550	6,753	13,853	21,317	37,412	85,451
650	7,981	16,372	25,193	44,215	100,987
750	9,209	18,891	29,069	51,017	116,524
850	10,437	21,410	32,945	57,820	132,061
950	11,665	23,928	36,821	64,622	147,597
1,050	12,893	26,447	40,697	71,424	163,134

So when figuring the total annual cost to own your leased car, take the balloon payment amount (described as the “end of lease purchase price” in your contract), add any estimated mileage overage fees plus any turn-in fees at the end of the lease, then divide by the number of years in the lease. Write this amount in the “Depreciation” line in the Car Cost Worksheet.

Living Car-Free Is Not Free

Of course, living car-free doesn't mean you'll have no transportation expense. You will. But it will be a fraction of what you'd pay to own even the cheapest used car. For example, Anna Scalera lives

CAR-FREE IN CHICAGO, ILLINOIS

I'm sure we'd spend a lot more money if we had a car because it would be so easy to go to lots of stores and haul lots of stuff home in the trunk. Then we'd probably need a larger apartment! I've often noticed a phenomenon where I feel a desire to buy some shiny new product, but I don't get around to going to an out-of-the-way store to buy it for a while, and then I eventually lose interest in owning the product. Result: time, money, and storage space saved.

—Rochelle Cohen Lodder, 38, scientific copy editor

car-free in Portland, Oregon. She wrote me the following email itemizing her car-free transportation costs.

“My estimated annual expense for bicycling is around \$150 per year. This includes a few tune-ups and occasional replacement of bike parts or lights. I occasionally take the MAX light rail train or the bus. Estimated annual expense for those fares is \$28 (\$1.40 x 20 trips). A few times a year when I really need a car I reserve a Flexcar. My estimated annual expense for car sharing is \$90 (\$9 per hour x 10 hours). Total: \$268.”

Your car-free transportation costs could be much higher, of course, depending on how far you live from work, how often you rent cars, ride mass transit, take taxis and airport shuttles, and so on. In many cities, a monthly transit pass costs around \$55, or \$660 per year. To get an accurate picture of how much money living car-free will save you, be sure to estimate your total annual car-free transportation cost, then subtract that from your expected savings.

CAR-FREE IN SAN FRANCISCO, CALIFORNIA

Although I could own a car, the financial drain would impact me in many ways. I lead a very busy, active lifestyle. I take frequent weekend trips—backpacking, cycling, road trips to other cities, etc.—all of which cost money. I also go out quite often—I enjoy SF’s vibrant nightlife, and going out costs money. I enjoy going out to eat often at the thousands of great restaurants in SF, and going out to eat costs money. I travel to the East Coast a few times per year to visit family, which costs money. My point is, many of the things that I enjoy about my lifestyle cost money. I choose to spend my money in these ways, rather than pouring it into the cost of owning a car.

—Dustin White, 24, city planner