

# THE MONEY COACHES



A mother's love endures through all.

Washington Irving

## HOW YOU CAN WORK YOUR WAY OUT OF CAR PAYMENTS



**N**o one wants to drive a car that is a junk heap. We like having vehicles that we can be comfortable in and that will reliably get us from point A to point B.

Unfortunately, the cost to own a new vehicle continues to grow larger and larger. The *average* monthly payment for a new car is \$530 per month, and the *average* loan term is 68.5 months.

That should shock you, and if it doesn't, this newsletter is definitely for you. We are at least somewhat accustomed to the idea that we will forever be entrenched in car payments. It has become the norm, and we don't think much of it. But does that really make sense?

Here at the Money Coaches we don't think so, and have put together a step-by-step way to work your way out of the never ending car payment cycle.

### Step 1: Finance an affordable car

This first car won't be your dream car, and it shouldn't be. When you have to finance a car for 72 months, here's the hard truth-- you can't afford that car. Look for something

that will cost you in the neighborhood of \$10,000 and finance it on a 36 month loan. This car will likely be used, and probably be in the ballpark of 3-5 years old. It is also a good idea to buy a vehicle that is relatively popular. Why? Because vehicles that have been built and sold in high quantities generally have cheaper maintenance and better availability of parts. In the long term, that means less money spent on vehicle upkeep, which is a win.

### Step 2: Pay yourself

Once you've completely paid off that car in 3 years, you'll simply begin putting away the money you were paying toward it into a savings account. **This part is really important!** It shouldn't be hard, you've been doing it already. However, if you don't do this part, none of the rest works. You'll save that same payment amount every month for a further 3 years, which will mean you've saved exactly what you paid for your car, if you were diligent and didn't use any of that savings. Once you hit that 3 year mark, your old car will be looking a bit on the old side and in need of replacement.

### Step 3: Buy a newer car

With your car on its last legs, it is now time to be considering a replacement. This time though, you've got a sizeable down payment toward a new vehicle. If you were happy with the quality of your \$10k car, you'll have

enough to replace it outright with cash as long as you saved.

However, you may be thinking that you'd like a bit nicer vehicle this go around. That savings can then go toward a vehicle in the \$15-20k range. By taking out a 24-month loan this time, you can pay the vehicle off even faster, but because of your down payment, you'll only marginally increase what you were paying into savings each month.

### Step 4: Stay the course

When your 24-months are up and you've paid off your vehicle, you simply do the same as before, saving that payment each month in anticipation of needing to replace your vehicle. You'll have a jump on it this time, too, because your vehicle took just two years to pay off. Now, when it comes time to upgrade your vehicle, you'll be totally set, with a sizeable down payment and the freedom to purchase a vehicle you can be really happy with, all without putting yourself in substantial debt.

HAPPY  
Mother's Day

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