

The Rich and Cars

When someone who has money is answering questions about how they became wealthy, it's time to shut up and take notes. Most millionaires are 1st generation rich. They worked for it, earned it, saved it, managed it, and grew it. Most look very much like you and your neighbors, just regular people. Somewhere along the way, **they took control of their money.**

A common "trick" the rich use to become rich is buying used cars and "driving the wheels off of them." Usually, only the very wealthy, or those in debt buy new cars.

A Four Year Half-Life: A vehicle will lose about half its value every four years - a rough estimate of depreciation.

About 10% of value is lost on day one because it is no longer new, but used. A \$35K vehicle on day two is worth \$32K. After day one, about 10% per year is lost. On year four it will be worth about \$18k - **half of its price is gone.** That's like rolling down the window and throwing a \$100 bill out the window every week you drive that ~~new~~ used car.

In the next four years, that \$18K vehicle, loses half again. At year eight will be worth about \$9K, a depreciation cost of about \$60 per week. At 12 years old, \$4.5K, minus \$25 per week. At year 16, that new vehicle is now worth about \$2K, a depreciation cost of \$12 per week. **The longer a vehicle is driven the less it costs.**

My friends thought I was crazy when I put over \$1K into maintenance and repair of my ol' 2000 Ford Explorer. "**Just go buy a new one.**" they said. "**No!**" \$1k is equivalent to two or three months of payments on a new one. Three years later, it's essentially free. Debt payments, interest, and depreciation will keep on taking... and taking... my income and potential wealth away.

Can you afford a new car? **Don't ask, "How much a month?" Ask, "How much?"** Pay with cash. If you can't do that, you probably can't afford it. Depreciation, (and debt interest) are robbing you of your future wealth.



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