



The Truth About Car Payments

I'll always have a car payment.

You've probably heard that comment before, right? You might have even said it yourself—with a defeated, woe-is-me tone of voice. So what's the deal? **Are car payments really just a way of life?**

Well, that's the normal way of thinking. But, as Dave always says: When it comes to money, normal is broke. You want to be weird, and **weird people don't have car payments.**

So how, exactly, do you live without a car payment?

Here's the deal. Recent statistics show that one-third of car buyers sign up for a six-year loan at an average interest rate of 9.6%. Among these buyers, the average price of the car is just over \$26,000. This means that one-third of the cars you see on the road are dragging a \$475 payment behind them.

The car dealer won't tell you that **your awesome new car loses about 25% of its value the instant you drive it off the lot.** After four years, your car has lost about 70% of its value!

What does that mean? After six years, you've paid almost \$33,000 for a \$26,000 car, which is now worth *maybe* \$6,000. Not a good deal.

Here's a new plan. What if you bought a cheap \$2,000 car just to get around for 10 months? Then you take that \$475—the average car payment—save it every month, and pay for a new car (with cash!), instead of giving it to the bank.

After 10 months of doing that, you'll have \$4,750 to use for that new ride. Add that to the \$1,500–2,000 you can get for your old beater, and you have well over \$6,000. That's a **major upgrade in car in just 10 months**—without owing the bank a dime!

But the fun doesn't end there. If you keep consistently putting the same amount of money away, 10 months later you would have another \$4,750 to put toward a car. You could probably sell that \$6,000 vehicle for about the same price you paid 10 months before, meaning you now have \$11,000 to pay for a car, just 20 months after this whole process started.

The bottom line with this exercise is simply this—**what could you do with that \$475 if you weren't paying for the car every month?** Anything you wanted!

Think about it this way: If you were to invest that \$475 (remember, this is the average car payment in the U.S.) into a good mutual fund with a 12% rate of return, you would have over \$100,000 in 10 years! At 20 years, you would have made \$470,000. And at 30 years? That mutual fund would be worth \$1.6 million!

The numbers will make your head spin, but it really just comes down to simple math. The less money you are spending on your car every month, the more money you have to put into other more important things: your kids' college fund, your retirement, and paying off any other debt you might have.

If you'll just follow [this simple plan](#), your life could be dramatically different 10 years from now. **You can live without a car payment!**

Does this get you fired up? If so, check out [Financial Peace University](#)! Dave will teach you how to get on a plan for getting out of debt, saving for retirement, college, and real estate ... all debt free! Getting rid of car payments is just the beginning of changing your life forever, so [get started today](#)!