

Car Budget – 2 steps

Automobile(s), category #5, of your **Monthly Income and Expenses** form can be more easily understood and controlled if you complete these 2 steps. Don't let autos "wreck" your spending plan. It costs 35¢ to 60¢ for each mile you drive.

Step 1 Complete the worksheet to determine the average number of miles you drive each month.

A. Determine where you are driving – at least once a month: Complete the left portion of the worksheet.

B. Determine where you are driving which occurs less than once a month: Complete the right portion of the worksheet.

C. Complete the box in the lower right corner of the worksheet.

You will use this "average miles driven each month" to plan your car expenses. We will use the example of an average of 900 miles driven per month.

Step 2 Use three "envelopes" or "Individual Account Pages": operation, maintenance and replacement.

Operation: *This includes paying for gasoline, insurance and license tabs only. Maintenance and replacement must be added to this.*

Operation: estimate 22¢ per mile. It will be higher if you have high insurance rates, gas prices increase, your car is less than 10 years old or gets low gas mileage. After 3-4 months you will be better able to estimate your actual costs. Operation costs for many cars are in the 15-30¢ range. Figure 25¢ per mile if you drive less than 750 miles a month. It may be considerably higher for vehicles less than 4 years old.

Multiply 22¢ x "average miles each month" from C on worksheet. (Example $900 \times .22 = \$198$.) If you plan to drive 900 miles a month

you will need to put \$198 in your "car operation envelope" each month. This will then be used to **pay for gas, insurance and license tabs ONLY!**

Maintenance: *This includes paying for oil changes and repairs.*

Maintenance: estimate 10¢ per mile. Once this "envelope" has \$1,000 in it you may be able to reduce the average cost per mile driven to about 5¢.

Multiply 10¢ x "average miles each month" from C on worksheet. (Example $900 \times .10 = \$90$.) If you plan to drive 900 miles a month you will need to put \$90 in your "car maintenance envelope" each month. This will then be used to **pay for oil changes and all repairs.** Newer cars will have less repair cost, but higher replacement costs.

Replacement: *This is the money you will use to pay for your next car – without payments! True financial freedom is not possible without this.*

Replacement: estimate 10¢ per mile. Once this "envelope" has \$4,000 in it you may be able to reduce the average cost per mile driven to about 7¢. If you plan to buy a vehicle which is fewer than 2 years old, you will need to increase this to 15¢ or even 20¢ per mile driven.

Multiply 10¢ x "average miles each month" from C on worksheet. (Example $900 \times .10 = \$90$.) If you plan to drive 900 miles a month you need to put \$90 in your "car replacement envelope" each month. This will then be used to **"pay-in-full" for your next car. This will be a major step towards experiencing true financial freedom.**

Decrease Miles Driven: *Are there any "less necessary miles" that could be eliminated? Can you combine several trips into one trip? Plan several stops in a clockwise direction to reduce idle time at signal lights. Teach your children that it costs about 50¢ a mile for each mile driven.*

