


Family Living Focus
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your next car without financing!

By continuing to make monthly payments to your money market account, in another three years you will have enough set aside to trade your three-year-old car toward a new one and continue trading every three years throughout your life and never finance a car again!

Because your monthly set aside includes the initial interest you were paying plus the interest earning capacity, over time you will be able to modify the type of vehicle you are purchasing. As time passes, if your family grows or your tastes mature, you can afford a larger, more accommodating car.

Even though inflation will cause the cost of vehicles to rise, the compounding of these two interest factors is enough to maintain and even exceed your present buying power. Over time, you could reduce the amount you set aside each month because your payment to yourself doesn't need to include the finance charge. The interest earned on the account should

keep up with taxes and inflation and still maintain your buying power.

Maybe a \$376 monthly payment is too steep for you. Financing the same \$12,000 for 48 months at eight percent drops your monthly payments to \$292. Using the same strategy, financing the car for four years and driving it for six, your two years of monthly contributions to yourself will yield about \$7,354 (less taxes) which, if used with your trade-in value, will greatly reduce the amount you need to finance on the second car. Assuming the amount you finance is just \$3,500, your ongoing \$292 payments could pay that off in a year. Continuing to save the \$292 for the next three years will yield \$11,598 (less taxes) plus trade-in value of a now four-year-old car should enable you to purchase your third car without financing. From this point on you should be able to trade-in every three years and never finance again.

If these numbers don't seem realistic to you, use computer

programs such as Quicken or Microsoft Money or Internet-based financial planning calculators to come up with a plan to fit your family transportation and budget needs. The dollar figures used in this example illustrate the concept of never paying finance charges again.

Variables not taken into account which impact the final actual dollar values include cost of vehicle plus taxes, title, current interest and inflation rates, and your tax bracket.

This technique does take commitment, a change in attitude and behavior. Once you resolve to never pay finance charges again, and commit to making monthly transportation payments, the concept of never financing a car again doesn't sound shocking at all.

Over your lifetime, the car loan interest you've saved and interest earned can add up to tens of thousands of dollars. Changing how you handle transportation costs gives you one more way to increase your net worth and assure your family a sound financial future.

Never finance a car again!
Pretty shocking concept, don't you think?

After housing, transportation is the second largest expense a family faces. For many families, financing cars is an accepted means of obtaining transportation. Here's a process that, if carefully followed, can assure you a new car every three years, with no interest payments. In fact, this technique depends on you earning interest! No, there is nothing illegal about this strategy, but it does require self-discipline.

A new \$12,000 car financed at

eight percent for three years has monthly payments of \$376 for a total cost of \$13,536, 13 percent of which (\$1,536) is interest. Once paid for, most families find somewhere else to spend the money normally allocated to car purchases. Instead, continue to pay the \$376 monthly payments, not to the finance company, but to yourself. Set up a money market fund where after three years at five percent compounded annually you will have accumulated \$14,935, less taxes.

This amount, plus the trade-in value of your now six-year-old car should allow you to purchase

Painless Ways To Reduce Household Expenses

To make ends meet and, better still, to get ahead, you can reduce household expenses and debt, increase income, or do all three.

Here are some ideas to consider:

Housing

- Consider refinancing an existing mortgage if savings exceed the cost.

- Ask your mortgage lender to cancel private mortgage insurance (PMI) when home equity reaches 20 percent of home value (e.g., \$20,000 of equity on a \$100,000 home).

- Purchase appliances with a

high Energy Efficiency Ratio (EER).

Food

- Combine coupons with store sales and/or product rebates for additional savings.

- Buy in bulk when items are on sale or in season (e.g., produce).

- Buy store or generic brands if they have the cheapest price.

Transportation

- Keep a car as long as possible to reduce depreciation and financing costs.

- Consider buying a late model used car instead of a new one.

- Purchase airline tickets during fare wars and stay over a Saturday night to get a cheaper fare.

Clothing

- Shop department store clearance sales, consignment stores, factory outlets, thrift shops, and/or flea markets for clothing discounts.

- Buy washable clothing to avoid dry cleaning charges.

- Build a wardrobe around just a few dominant colors or neutrals to enhance "mixing and matching."

Utilities

- Use e-mail in lieu of phone calls to reduce telephone charges.

- Sign up for a long-distance telephone savings plan.

- Close off unused rooms in the winter to conserve heat.

- Insulate your hot water heater and reduce the temperature to 120 degrees.

Financial Management

- Switch to credit cards with a low annual percentage rate (APR) if you revolve a balance.

- Increase collision and comprehensive deductibles and drop coverage completely on older cars.

- Inquire about insurance discounts (e.g., for buying all prop-

erty insurance from the same company).

- Reorder checks and deposit slips from a mail order firm instead of a bank.

Other

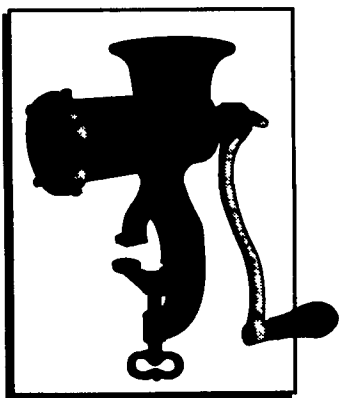
- Eliminate "rarely-used" expenses such as health club dues, call waiting, and premium cable channels.

- Trim gambling expenses (e.g., lottery tickets) and expensive habits (e.g., smoking).

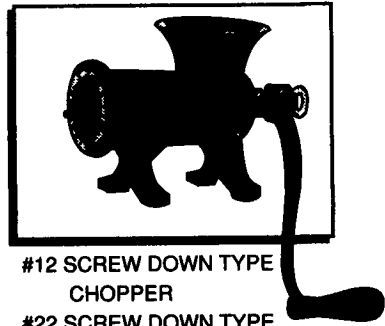
- Always inquire about discounts, especially when traveling and paying cash for items.

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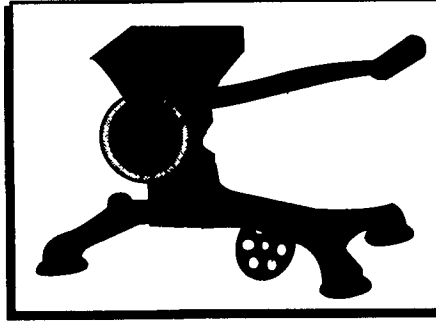
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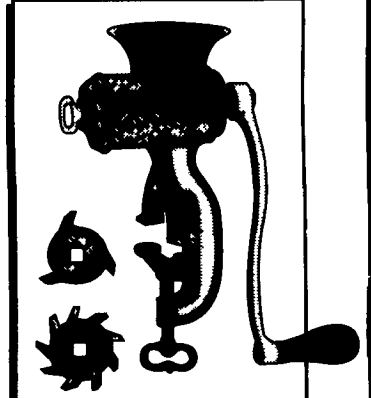
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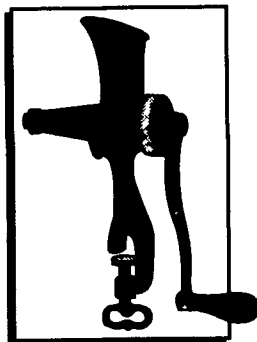
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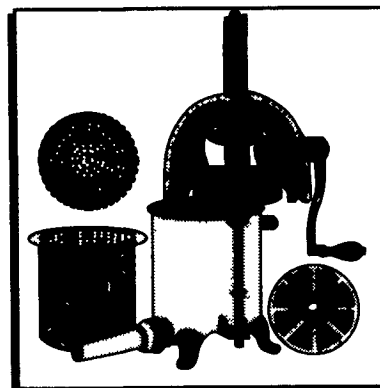
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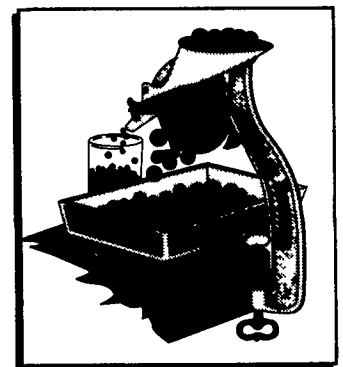
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