

AHWATUKEE FOOTHILLS NEWS

Fancy Cars Carry A Heavy Financial Burden



August 2, 2023 by Dr. Harold Wong

For the last two years, a 40-year-high inflation rate has been the main concern of most Americans. In a recent November 21, 2022 study found in Motley Fool by Jack Caporal, there are some disturbing statistics. According to the Bureau of Labor Statistics in 2021, the average household income was \$78,743 and average household total expenses were \$5,577 per month. The three largest components of monthly household spending were: \$1,885 for housing (34% of total expenses); \$913 for transportation (16% of total expenses); and \$691 for food (12% of total expenses). In contrast, \$10/month was spent on reading and this partly explains why so many Americans struggle with their finances.

According to an April 2, 2023 finance.yahoo.com article by Bethan Moorcraft, a record 16% of American consumers are paying at least \$1,000/month on car payments. "The percentage of borrowers at least 60 days late on their car payments is higher today than it was during the peak of the Great Recession in 2009."

Auto loans are the third largest debt category with Americans owing \$1.52 trillion in auto loans. The percentage of subprime auto borrowers who were at least 60 days late hit 5.67% in December, 2022, which exceeded the 5.04% late payment rate in January, 2009 at the peak of the Great Recession, according to the credit rating agency Fitch Ratings.

Besides the skyrocketing cost of new and used cars over the last 3 years, gas prices

have doubled and insurance rates have increased substantially. Major insurance companies have recently stated they will no longer insure certain Kia or Hyundai models because the cars are too easy to steal.

Let's examine why Americans spend so much of their after-tax income on cars. The first reason is that folks want more luxury now than their parents or grandparents were willing to accept. I remember the agony of riding in my parents' black Ford Fairlane in 1961 in the Mohave Desert when we lived in Boron, CA. There was no air conditioning in the car and driving long distances was miserable.

A second reason men want to own an expensive, cool car to drive is to get the hot dates. I remember back in high school, in 1965, when Ford launched the new Mustang, my classmate bought one and was always surrounded by girls who wanted a ride in his car. This urge is not restricted to high school students. A stockbroker friend of mine used to host monthly soirees at upscale Scottsdale nightclubs. Most of the guys who attended were over 60 years old and drove very expensive cars that seemed to always attract beautiful women who were 20-30 years younger than they were. I drove a beat-up 1987 Volvo 240DL that I bought used for \$3,100 when it had 110,000 miles and drove it over 255,000 miles. As expected, no women rushed over to meet me. Because they never bothered to talk to me, they had no idea how successful I was.

People have no idea how many really rich men drive modest cars. Jeff Bezos, founder of Amazon, drives a Honda Accord. Mark Zuckerberg, founder of Facebook, drives a Honda Fit. Before he died at 91 with a net worth of \$58 billion, Ingvar Kamprad, founder of Ikea, for many decades drove a 1993 Volvo 240GL. Perhaps these multi-billionaires have a strong self-image and don't have to "show off" by driving an expensive car. Not spending a fortune on new cars that depreciate the moment you drive them off the lot could also be why they are rich.

To RSVP for future seminars in September or schedule a free consultation to save taxes or increase retirement income, please contact Dr. Harold Wong at (480) 706-0177 or harold_wong@hotmail.com. His website is www.drharoldwong.com.

Free Information on Retirement Planning, Solar Business Investments, and Tax Savings can be found at www.drharoldwong.com or www.solarbusinessinvestments.com.

**To schedule your Free Consultation
Contact Dr. Harold Wong at
(480) 706-0177 or
harold_wong@hotmail.com
to RSVP.**

Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.