

Driving only one vehicle

By Jay

Created 12/14/2010 - 23:56

While creating our 2011 budget, I engaged in a thought experiment about creative ways to dramatically reduce our costs in order to live within our means and save for our dreams: ditch one car. I'll explain my thinking to provide some insight into how the financial mechanics work.

Total cost of ownership

When looking at the cost of owning a car, there are many costs involved, with an example of monthly costs in parentheses:

- Payments (\$300)
- Fuel (\$100)
- Insurance (\$150)
- Maintenance (\$80)
- Repairs (\$100)
- Fees and Taxes (\$20)

The total cost of ownership is thus \$750.

Our family has two vehicles in total with about the same cost for both. Our potential savings by eliminating one vehicle is \$750 provided that I do not need to pay for any alternative transportation besides the first vehicle.

\$750 per month could:

- Help pay off a loan faster
- Help us save for retirement
- Help us buy our dream home

Alternative transportation options

Now let's talk practicality. If my wife and I must share a vehicle, then we have several options:

- Carpool
- Driving each other
- Public transit
- Staying at home
- Rent a car on occasion
- Walk or bike
- Minimize travel needs
- Use a motorcycle in the warmer weather

Lucky for our family, my wife has to travel to work, however I am able to work from home. I could arrange my travel days into one or two days per week. My wife could carpool those days. And if my wife needs the car and we have a conflict, I could rent a car for a day or two. To go downtown, I could take public transit.

In other words, if I had to work within the limitations of just one car for the family, I would be able to rearrange my meetings and affairs to have it work.

Driving only one vehicle

Published on Jay B Hancock.com (<http://jaybhancock.com>)

So I will need to create a budget for the times when I need to pay for these alternatives. Rental cars are about \$30/day. I live in a suburb so zipcar is not an option by us. Public transit can be \$15 to go downtown and back.

Cost/benefit analysis

Option 1:

On the one hand, I can pay \$750 per month and use my car like I do today.

Option 2:

On the other hand, I can set aside \$150 per month as a travel budget and use \$600 per month (\$7200 per year) toward one of my financial goals. Plus selling the car and retrieving the equity from it can pay for something as well.

Some of the intangible costs may be greater inconvenience or the requirement for greater planning around who has the car.

The winner?

The financial decision is clear. The emotional decision is probably where most of the hesitation will be.

I would love to hear your comments.

Trackback URL for this post:

<http://jaybhancock.com/trackback/19>

- [Money](#)
- [Sustainability](#)

Source URL: <http://jaybhancock.com/content/driving-only-one-vehicle>