



# Mobile Lounges

Scaled Finance Welcome Course: Episode 8

## Mobile Lounges: Automobiles

### Part Three: Ownership

Welcome back!

Last episode, we discussed long-term ownership.

Today's topic is a big-ticket item: automobiles.

### A Sliver of Human History

#### Reframing

##### Still New

Automobiles are still relatively new.

Henry Ford's first moving assembly line was installed in late 1913.

That was only 110 years ago, a mere blip in human history.

I was fortunate to have a conversation with my great-great grandmother who was born in the late 1800s and grew up without horseless carriages.

### Do What Monarchs Couldn't

#### Better Than Royalty

It's amazing how well even basic vehicles treat us. They:

- *Take us far, fast* – an average day on the Oregon Trail was 15 miles. Now, we do that now in about 15 minutes on the open highway.
- *Control our climate* – air conditioning was invented in 1902 and now comes standard.
- *Deliver world-class performances on demand* – the first long-distance transmission of human voice and music was in 1904. Automobiles now deliver world-class performances on demand.

Queen Victoria reigned from 1837 until her death in 1901.

Basic cars allow us to do three things she never could despite her vast resources.

They even have comfy sofas and armchairs like our living room.

## New Vehicles Depreciate 20%

### Heavy Initial Depreciation

According to Kelley Blue Book, [a car loses 20% of its value its first year](#).

A new \$50,000 vehicle likely falls in value (depreciates) \$10,000 its first year. Ouch.

The average age of a personal auto (light vehicle) in operation is [over 12 years](#). There's no need for me to buy a new one every few years.

But what if it breaks down?

I had that happen! On I-90 between the tunnel and the floating bridge at rush hour.

No big deal. I pulled over, called a tow truck, took it to a mechanic, and got it fixed. My car was over 20 years old at the time.

### Lease vs. Buy

A lease is convenient... and we tend to pay more for convenience.

Some of the supposed benefits of a lease are:

- Lower up-front cost
- Lower monthly payment
- No concern with resale
- Can usually upgrade to a brand-new vehicle every two to three years

However, the terms of a lease are strict.

- Drive too many miles? Fee.
- Scratch it? Fee.
- Need to end your lease early? Fee.

New automobiles depreciate quickly. Dealerships must earn a profit. Therefore, lease terms more than compensate them for the decrease in value (depreciation).

A lease also allows (encourages?) someone to drive a more expensive vehicle. On average, expensive vehicles lose more: depreciation times a larger value.

I struggle to think of a situation for which a personal auto lease would make sense. However, there's probably a fringe use case.

## Personal Auto Lease = Costly

### Well-Priced Quality Vehicles

We've purchased both new and used automobiles.

Fortunately, we've never spent more than \$18,000 for a vehicle.

It's been a while since we bought one!

We prefer to buy quality over luxury – brands often owned by the same company.

## Dependable

**Quality**  
Toyota  
Volkswagen  
Ford  
Chevrolet

**Luxury**  
Lexus  
Audi  
Lincoln  
Cadillac

### Luxury at the Right Price

Of course, I'm not opposed to buying luxury at a good price.

I purchased a used BMW sports car with only 13,000 miles on it for about \$17,000.

## Well Priced Luxury

Thinking about it brings mixed emotions. That car:

- Ran 25 years
- Lasted me 17 years
- Was a joy to drive
- Moved me cross-country multiple times

However, it seemed to cost me \$1,000 or more every time I took it in for a repair. I paid more in maintenance over those 17 years than I originally did for the car.

### Best Alternative to a Negotiated Agreement (BATNA)

A negotiations course I took in business school focused heavily on knowing our best alternative to a negotiated agreement – BATNA.

In preparing to purchase a new SUV, I called my uncle for advice. He lives locally and used to be a car salesman.

## Bat What?

He suggested we:

1. Find two vehicles we liked from completely different brand dealerships. He stressed that they must be totally independent.

In our case, we found SUVs we liked at both Honda and Ford.

2. Get a Sunday paper, as there are often good deals.

## Know What Timing Is? Everything

### Right Place, Right Time

We went car shopping Sunday after Labor Day.

The new models had arrived. We were looking for a deal on the previous year's.

There were salespeople everywhere and we were just about the only customers.

We found comparable models at Honda and Ford and negotiated back and forth.

## Break... through!

### Take Care of Yourself

After a while, we were hungry and tired.  
We decided to grab lunch. I called to update my uncle.

He swung over to the dealership with the last couple Sunday papers.  
Included in the previous week's was a promotion for the model we liked.  
It was advertised over Labor Day for several thousand less than we were quoted.

The dealership honored the discount from the prior week, saving us thousands.

## Also Negotiate Financing

### BATNA for Financing, Too!

We were prepared to pay cash.  
However, we had strong credit and interest rates were very low.

We financed the vehicle and drove off in our new SUV!  
To celebrate, we treated my uncle to a steak dinner.

## Care

### Maintain Vehicles

Do or have the maintenance done routinely:

- Change oil
- Top off fluids
- Change air filters
- Check belts...

In addition:

- Maintain proper tire pressure
- Use recommended grade of gasoline
- Don't drive it like you stole it
- Limit how much you eat and drink in the car...

Most of these actions also improve gas mileage.

## Extra Wheels

### Two Sets of Tires

Another life hack is to have two sets of wheels, literally.  
We have one set of all-season and one set of winter tires for our SUV.

It's much cheaper than owning multiple vehicles!

## Upgrade?

### Audio

If your vehicle runs fine but your audio is outdated, consider upgrading.  
A new audio system is much less expensive than a new vehicle!

## Road Trip Rentals

### Renting for Distance

Another thing we do is rent vehicles for long-distance road trips. Doing so substantially extends our vehicles – especially toward end of life.

If the vehicle breaks down, it's on the rental agency to either fix or replace it ASAP. Rocks have chipped our windshields on multiple trips. They cost us nothing.

## A Private Chauffeur

### Ride Sharing

A final option is to leverage ride sharing like Uber and Lyft.

We've been a one car family since before the pandemic. Ride sharing has made that possible.

## Your Turn!

### Action!

Hopefully this session gave you some new ideas!

Did anything stand out for you?

How might having a Best Alternative to a Negotiated Agreement (BATNA) help you in an upcoming negotiation?

How might you extend the life of your automobile(s)?

### Next Steps

Great work today!

People often feel strongly about their vehicles – and rightfully so! They're amazing.

## Thank You, Next!

If this episode could help anyone you know, feel free to flip them the link: [scaledfinance.com/welcome-course](https://scaledfinance.com/welcome-course)

Watch for the next episode in about a week. We'll explore another big-ticket purchase: housing.

If you'd like to explore housing now, head to the course webpage.

See you soon!

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