



Reduced Driving Can Make You a Millionaire



“Annual income twenty pounds, annual expenditure nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery.”

David Copperfield, Chap. XII, by Charles Dickens

There are several ways to become a millionaire.

If you are clever and lucky you might win the grand prize in a television game show, but the odds are about one in 10 million. The chances of winning a major lottery are a little better, but the odds are still extremely long. For each million-dollar winner there are hundreds of thousands of losers.

Another strategy is to try to earn a big income, for example, by becoming CEO of a successful corporation. But this requires unique skills, years of hard work, and some luck. Not everybody is suited for such a career.

However, here's a strategy guaranteed to earn a million with an average income, and it is enjoyable, healthy and ethical. Simply minimize your driving expenses and invest the savings. After a few decades you'll be rich. It's as simple as that.

Most households spend more than necessary on vehicles. For example, owning and operating a typical new luxury car, SUV or van costs about \$8,000 a year according to American Automobile Association estimates.

Instead, you can buy an old but reliable used car and minimize your driving by using transit, cycling and walking whenever possible. In this way you can reasonably cut your vehicle expenses in half. Although you'll lead a less mobile lifestyle, you'll enjoy much greater financial freedom.

What happens if you take the \$4,000 annual savings and invest it at 7% annual return? In ten years you have \$55,266, in twenty years you have \$163,982, and in less than forty-four years you have a million dollars. In other words, excessive car expenditures waste a million dollars of accumulated wealth over a typical working lifetime.

Perhaps you have other priorities besides retiring rich. You can use the savings to buy a nice home, put your children through college, travel, or reduce your working hours in order to have more personal time. The point is that motor vehicles can be a financial trap. The average household devotes 15-20% of net income to car expenses. Many people waste a major portion of their working life paying for automobiles.

This alternative is not transportation deprivation. You can still have a household car that is available when you need it, you simply can't own a particularly flashy vehicle or lead an extremely automobile-dependent lifestyle.

Of course, the automobile industry doesn't want you to consider this option. We are inundated with flashy advertisements which assume that everybody dreams of buying a new car, and we just need to choose the model and colour. And by leasing new cars, the industry lets consumers minimize their monthly expenses, but they gain no equity, and so own nothing after paying many thousands of dollars.

Here's a little exercise to help you avoid this temptation: Take a \$20 bill and a \$5 from your wallet and burn them. Do the same thing tomorrow, and the next day, and every day for a month. That is equivalent to what you would spend on a typical new car. If burning all that money seems foolish, forget the car and go for a walk, bike ride or transit trip instead.