Things That Shine

As we have discussed, some vehicles lose their value quicker than others. While there are some generalities that may hold true, there are plenty of exceptions to these generalities. An example would be that luxury vehicles lose their value faster than other types of vehicle. The BMW 7 Series is a very nice car that loses almost 30% of its value in the first year and approximately 70% of its value over 5 years. However, the BMW i8 only loses 50% of its value over 5 years, while the Porsche Macan loses about 45%. So, there can be significant differences.

Vehicles are an excellent example of how economics in our world work (especially the capitalist part). Things can involve so many parts that we aren’t even sure what we are getting. So, we buy and sell with generalities and surface appearance rather than understanding. This makes us vulnerable.

How many 3 or 4 year olds will step over a pile of several million dollars in order to pick up a piece of dangerous shiny glass?

They have no idea what they really need or even will ultimately want. So, they are vulnerable to anyone who dangles something shiny in front of them. The difference in us and a toddler is that we should have the knowledge to realize this potential. We may not know everything that we need to, but we can certainly don’t have to make ourselves vulnerable to those who would maximize their profits off of us. Do your homework.

What do you need from your vehicle:

* Do you want a truck or do you use a truck for your job?
* Do you want leather seats, or do you need leather seats?
  + How much would you be willing to pay per day every day for the next several years for those leather seats?
    - Often times leather seats will cost you $2 per day for the next 4 years or $60 per month.
* What will your vehicle be used for, and what features could you do without in order to use that money somewhere else?

Here is an example:

The higher end sound system upgrade for some vehicles is over $4000. Many dealers will act like it is extremely impressive and really a must have. However, for that same amount of money you could purchase five brand new quality 70 inch televisions for your house, or buy two of the highest quality70 inch television available, or buy one and have a lot of money left over. You could put a down payment on a $140,000 home through a Fannie Mae nonconforming loan program.

So, is that sound system more valuable than being able to buy a home?

Is it more valuable than your televisions at home?

The ultimate lesson is that before you make any major purchase sit down, determine your needs, then your wants and what the real value of each of those is.

Here is an example for you:

Base level Ford Mustang $26,670

Brighter Paint $495

Painted Black roof $995

Racing Stripes $475

Metallic Hood Stripes $4100

Smoother faster transmission $1,595

Driver Assist $1000

Bigger Wheels to match cars stripes $895

Premium Brakes & handling $1995 minus $895 wheels

Antitheft and locking lug nut $395

Adaptive Cruise Control $1000

Mini spare wheel and tire $405

Upgraded anti-theft system $400

Premium floor liners $170

Touchscreen with voice activation $995

Hood Protector $79

Front Air Splitter $259

There are other features that could be added, but if you add all of these it could cost you another $300 per month. Or you could upgrade to the Hellcat Trim and pay more than $60,000 plus upgrades. That would likely run you another $1000 per month and more! However, a lot of the add-ons are just things that shine and cause you to pull cash out of your pocket.

This is the case with almost anything we purchase, but especially the big things.

There are a few real points here.

* Do your Homework
* Know what you want
* Know what you don’t want

And Most Importantly

* Know that it’s not about the dollar amount; it’s about the other things that you could purchase instead!