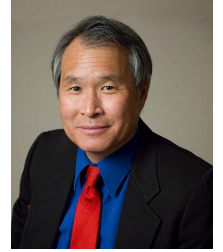


# THE ARIZONA REPUBLIC

## Thoughts for the Day after Thanksgiving, 2014

Special to the 11/28/2014 AZ Republic by Dr. Harold Wong



It's the day after Thanksgiving, and much of America is involved in full-contact shopping on "Black Friday", chasing big discounts on merchandise for Christmas gifts. This is a good time to reflect on what's really important in life. Here are some thoughts:

### **Do you really need to spend lots of money during the Holiday Season?**

If you spend \$3-4,000, do most of the recipients of these gifts in your family really appreciate it? A different thought might be: If we save \$2,000 per year for 5 years, we now have \$10,000 and that's enough to pay the down payment and closing costs on a \$200,000 house. If you get a FHA loan, one only has to put 3.5 percent down, or \$7,000, on a \$200,000 house. If you lost your home to foreclosure during the real estate collapse, you typically have to wait 7 years before you are eligible to apply for a Fannie Mae or Freddie Mac (the 2 quasi-government entities that control the national mortgage rules). So, you might as well save up for the down payment on your next house. The family will be able to enjoy this house for years or even decades.

### **Do I really need to buy a new car every time I change cars?**

Most people have no idea how much a car

costs. It's not unusual that people pay \$35,000 for a new car but finance it with a loan. If the purchase price of the car is \$35,000, your last car is given \$5,000 trade-in value, and you are able to qualify for a 6 percent fixed, 72-month car loan. Your monthly payment, principal and interest, is \$494.71 each month for the next 6 years. When you add insurance, license plate fees, gas, oil changes, maintenance, and parking fees, it's not unusual that it adds another \$5-6,000 of annual expense.

In 1997, I bought a 1987 Volvo 240 car that had 110,000 miles. When the motor mounts died in 2006, I had 255,000 miles on it. I paid \$2,800 for it in 1997 and sold it for \$300. My total net capital cost was \$2,500, divided by 10 years, or \$250 per year. My insurance was only \$850 per year and the annual AZ license fee was only \$50. I was able to buy used parts from the Volvo junk yard and I didn't worry about getting more dents when I parked it. Even if there were substantial repairs, my total cost of owning the car for 6 years was perhaps \$27,000 instead of \$67,000 for the new \$35,000 car. If you buy a new car every 6 years, the extra \$40,000 cost for 10 new car purchases (from ages 24-84), could total as much as \$400,000 more that you spend on cars, compared to a frugal Asian. Note: In 2007, Warren Buffett

It was an older Lincoln Town Car worth less than \$10,000. In 2014, Buffett was ranked the 2nd wealthiest person in the annual Forbes 400 survey, and Buffett's net worth was estimated to be \$71.9 Billion as of 9/12/2014.

**Summary:** Every month, Americans are bombarded with thousands of ads, asking them to buy all sorts of stuff. The ads prey on people's lack of self-esteem. If I don't wear these designer clothes, drive a fancy car, or drink expensive liquor, I won't be seen as successful, sexy, and in control of my life. In fact, rampant consumerism leads to living paycheck to paycheck; leasing cars instead of owning them; and entering retirement years without enough savings. Thanksgiving is a time to reflect and determine what's really important in life. Is it buying whatever the latest fashion or fad is, or being in true financial control of your life?

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