



THE CASH VS. CREDIT
DIFFERENCE IS \$10,000+
(GOOGLE "TRUE COST TO
OWN CAR")

Make Smart (or at least Mindful) Decisions about New Debt

At what age would you like to no longer be paying off your past? Every time you consider taking on new debt, whether its for a home improvement, student loan, or even simply whipping out your credit card to pay for a car repair or quick vacation, consider how many years that purchase will extend your cycle of paying for your past.

Have you ever had a year of your life that you didn't pay for something from your past? How many years of your adult life have you had credit card balances, car payments, student loans and other types of debt? How would it feel to never again have a year where you were paying off your past?

We don't often think about the peace that comes from a debt-free life. We are used to asking "what can I afford?" and squeezing that into our month. When we set money aside for a car for the future we think harder about **how much we want to spend** rather than **what we can get approved for**. People often tell me that getting a car loan is a smart choice because "2% interest is like free money." I disagree. We make different buying decisions when paying cash vs. credit. And dealers often place different price tags on cars that sell for cash. It might not be readily apparent, but the lifetime cost of financing cars is significantly more than the lifetime cost of buying cars with cash for most.

The story about Ira and his Camry in Chapter 4 is a great example of the dangers of buying the most car we can afford. Rather than making mindful decisions about how much debt we want to take on and looking at our other options, we default to "how much can we afford" or worse, "how much can we get approved for." When we combine too many of those decisions, we find ourselves with no wiggle room. We are one bad life event away from not being to able to afford what we committed to. We enslave ourselves to our past, having to make decisions that prioritize paying for our debt rather than how we want to live our lives.

Maxing out a car loan or your credit cards are extreme examples of not being mindful about using debt. But even for those that are living within their means and not overextending themselves with debt, using credit cards can put a cloak of vagueness on our spending. Even if you pay 100% of your credit card bill 100% of the time, using a credit card rather than cash keeps us one step away from the physical manifestation of spending cash. If you use your credit card like your wallet, try taking a 30-day hiatus. Use cash for 30 days and look, see and tell the truth to yourself: do you spend differently?