How Much Should You Spend on a New Car?

MALAYSIANS PAY A LOT FOR CARS

Since we can't change the National Automotive Policy on our own, the logical thing to do is to play within the rules. There are many ways to spend less on car including not to get a new one, or not to own one at all. Either way, it involves living below your means.

HOW DO YOU KNOW IF YOU CAN AFFORD A NEW CAR

- Put down at least 20%
- Finance the vehicle for no more than four years
- Keep total monthly vehicle expense — including principal, interest, and insurance — under 10% of gross income

THE MILLIONAIRE NEXT DOOR IS DRIVING A MYVI

The truth is that there are many frugal people driving a Myvi in Malaysia. So if you are not earning more than RM8,000 a month but drive a car as good as Myvi or even better, you really need to take a close look at your finances.

CAR LOAN VS HOUSING LOAN PSYCHOLOGY

paying a car loan:

- 1st installment – "I pay so little to enjoy such a nice ride! Totally worth it."
- 50th installment – "When is the final payment going to come? I am tired of this old car."

paying a housing loan:

- 1st installment – "It is going to take forever to pay off this mortgage."
- 50th installment – "Oh... I am paying so little to enjoy this expensive home."

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