Vacation budgeting

Overall vacation costs are entirely a matter of individual preference and means. The scope of this publication precludes advising where to go, or how much to spend once the traveler has arrived at the vacation spot of his choice. However, it may be helpful to know the approximate costs of motor travel on route.

The AAA suggests a vacation budget of about $40 per day for two people driving 300 miles each day. A breakdown of the daily budget for a couple shows they will spend approximately $9.00 on car operation expenses, $12.00 on meals, $5.50 on lodging, $2.50 on tips, $2.50 for admissions, amusement and tolls along the route, and $4.50 for incidentals, souvenirs and emergencies.

The allowance for driving costs is based on three cents a mile for gas and oil at the recommended daily maximum distance of 100 miles. Thus, for a trip of 1,000 miles, $30 would be needed to cover car expenses. No provision has been made for maintenance or tire costs as it is assumed that the car is in top condition before the trip is started.

The cost of meals is figured on a pre-provision basis of $1.25 for breakfast, $1.75 for lunch and $3.00 for dinner. Obviously, one could get by for less, or spend considerably more.

For accommodations, a couple can plan on spending about $9.50 a night, although they might spend anywhere from $6.00 to $17.00 for reasonable sleeping facilities, depending on type and locale. If traveling with children, you may find some hotels and motor courts will set up a cot or two in your room at a slight extra charge. Admissions, amusement, and tolls will cost about $1.25 a day for each member of the family in visiting such places as caverns, historic drives and scenic attractions along the route. Allowance for roadside refreshments and incidentals should be covered by a 10 to 15 per cent emergency fund carried with you.

As a final aid in planning vacation trips, the AAA offers the following tips on stretching your vacation dollar:

1. Drive during the early part of the day and stop in the late afternoon with plenty of time to find the type of accommodations you want at a price you can afford to pay.
2. Visit travel attractions that offer you something worthwhile for your money—avoid tourist traps.
3. If possible plan your trip in the spring or autumn—avoid peak travel seasons when roads and overnight accommodations are crowded and prices high.
4. Consult your local AAA travel counselor for specific advice and guidance on getting the most for your money.

The American Automobile Association

GASOLINE AND OIL: The cost of fuel and lubricant varies tremendously from car to car. For the same make and model it may vary by as much as 50 percent. Much depends on how a car is driven, the type of driving (city, flat country, mountains), the load carried, and the general condition of the vehicle. Even tire pressures affect gasoline mileage. Oil consumption is equally variable from car to car. On a trip where fairly high speeds are maintained, a car in good condition may require a quart of oil every 500 miles. The same car driven only in slow-moving city traffic might use virtually no oil in a thousand or even two thousand miles.

The best way to determine your gas and oil operating costs is to develop your own figures. Here’s an easy way to do it: fill your gas tank until you can see the gas in the filler neck, and record the mileage on your odometer. Drive normally until the tank is nearly empty, then have it refilled to the same point as when you started. Divide the number of miles driven since the test started by the number of gallons required to refill the tank; the result is the number of miles per gallon you are getting from your car. If you normally drive in the city, don’t wait until you go on a trip to make the test. Mileage on the open highway is usually better than in traffic. Make the test under the conditions which you normally encounter. Repeat the test several times a year if you want greater accuracy. You can test for oil consumption in the same way, but remember to add the complete cost of an oil change each time you have it done.

Here is an example of how one motorist might figure the cost of gasoline oil for one year’s driving:

Gasoline consumption:
Tank filled — odometer reading 9934.8 miles
Tank refilled — odometer reading 10771.4
9934.8 miles
273.4 miles
—
9988.8 miles
—
202.6 miles
—
202.6 miles
—
14.5
202.6 miles
—
14.5
202.6 miles
—
12.4
202.6 miles
—
12.4
10771.4 miles
—
12.4

Cost per gallon: $0.35
Cost per day for gasoline: $0.35 / 747.5 = $0.46
Oil consumption: One change 3,000 miles.
Oil capacity: 5 quarts
Cost per quart: $0.25
Cost per change: $1.25
Oil added between changes: 2 quarts.
Total cost for oil: $2.25 + 3 x $0.75 + $2.70 = $9.45

Variable costs

HOW TO FIGURE:
* Operating costs for private passenger cars
* Allowances for cars used on company business
* Vacation travel costs

AMERICAN AUTOMOBILE ASSOCIATION

Car costs may be broken down into two broad categories, fixed and variable. Variable items are directly related to the number of miles driven, how hard the car is used, and how much is spent on service and repair. Fixed costs, though they may vary from car to car, and from place to place, are generally established by agencies and business conditions beyond the control of the motorist, and they change little with the amount and type of driving. Fixed costs generally include insurance, taxes (license and registration fees, use and property taxes), and depreciation.

Itemizing car expenses

Variable costs

The cost of owning and operating an automobile is a major expense for America’s nearly sixty million car owners. For some, it might be their largest single expense, for many it is second only to food and housing. In 1958 alone, more than sixty billion dollars were spent on car purchases, automobile taxes, gasoline, parts, supplies, and car insurance. How many more billions were spent on service, repairs and incidentals is almost impossible to estimate.

The average motorist has only a passing interest in what all motorists spend, rather, he wants to know how much it costs him to drive his car. Unfortunately, this is a difficult question to answer, for almost every operating cost item is variable.

While it is possible to compute mean estimates, average costs are merely indicative, and many adjustments must be made to arrive at a reasonable calculation for an individual case. In this report, three methods used by private companies to compensate employees for use of personal automobiles are outlined, and in some cases these methods may be applied by individuals to determine approximate costs of driving. However, for accurate determination of car costs, it is best to use personal records.

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DEPRECIATION: For most motorists, the largest single expense of owning a new or recent model automobile is depreciation. It is also the most difficult cost to determine. Depreciation means the loss in the purchase price of your car and its selling price. If all car sales were on a cash basis, and no trade-ins were involved, depreciation could be determined exactly. But such exchanges have become the exception rather than the rule. In recent years, almost sixty percent of both new and used cars have been sold on an installment basis, and in an equal percentage of instances a trade-in was involved. The trade-in allowance comprises figuring depreciation.

As anyone who has shopped around for a new auto knows, the trade-in value of your car depends on the kind and price of the vehicle you buy. Here is an example of how the same car might produce several depreciation figures:

Assuming you paid $3,000 three years ago for your car, today similar vehicles are being offered in the classified section of the local paper for $1,500. This indicates a depreciation of $1,500 for your auto, or an average of $500 per year. Thinking you would be in a better bargaining position if you offered cash for a new car, you try to sell your car to a used car dealer. He offers you the wholesale price, say $1,200, which means your car has depreciated at an average rate of $600 per year. However, before making the deal, you shop at several new car agencies, and decide to spend $2,300 fully equipped and offers you $2,400 for your car in trade. That sounds much better, your car has depreciated only $600 in three years. Another dealer, who sells a standard model of another make with no optional equipment for $2,900, will give you only $1,300 for the old car—just $600 over the wholesale price.

Looking back over your figures, you find that your car has depreciated at an average annual rate of either $500, $600, $300 and $533—depending on how and where you dispose of it. Obviously, there is no pat formula for determining depreciation. However, one method the average motorist might use to figure depreciation is to determine the cash outlay necessary to replace his car with a new one in the same price class and with the same optional equipment. (It is interesting to note that most businesses owning automobiles depreciate them at 25 percent each year for tax purposes, but a private motorist would probably find that the same unrealistic figure to use on a year-to-year basis.)

In summary, the private motorist who wishes to compute the cost of operating his own car must calculate two types of expense—running costs and fixed costs. Running costs include gasoline, oil, tires, and maintenance. Fixed costs include: insurance, licenses, taxes, and depreciation.

Car allowances

To compensate employees who use their own cars on company business, several methods for computing the cost are used, depending on the circumstances, such as if the vehicle is used commonly or only occasionally, in cities or rural areas, or if it is driven in an area where operating costs are higher than average. Here are methods of compensation generally used:

<table>
<thead>
<tr>
<th>FLAT MILEAGE ALLOWANCE: A flat mileage allowance of so many cents per mile is usually paid by companies to employees who use their private automobiles occasionally for company business. The trend of these allowances has been consistently upward in recent years. Here are the latest rates paid by companies according to the Durmet Corporation, a management consulting firm, which makes annual surveys of automobile operation compensation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>.1 percent per 5 cents on a mile</td>
</tr>
<tr>
<td>.19 percent per 6 cents on a mile</td>
</tr>
<tr>
<td>.24 percent per 7 cents on a mile</td>
</tr>
<tr>
<td>.24 percent per 7 1/2 cents on a mile</td>
</tr>
<tr>
<td>.25 percent per 8 cents on a mile</td>
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<tr>
<td>.28 percent per 8 1/2 cents on a mile</td>
</tr>
<tr>
<td>.96 percent per 9 cents on a mile</td>
</tr>
<tr>
<td>.92 percent per 10 cents on a mile</td>
</tr>
<tr>
<td>.5 percent per more than 10 cents on a mile</td>
</tr>
</tbody>
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The principal advantage of the flat mileage allowance system is its simplicity. It is readily understood by the car owner and involves no bookkeeping and office control. The big disadvantage is that it frequently results in over-payment or under-payment compared to actual costs.

<table>
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<tr>
<th>WEEKLY ALLOWANCES: A compensation schedule based on the number of miles driven per week and the type of driving has also been developed by the Durmet Corporation. It more accurately reflects operating costs, but it can be applied only to cars operated more or less constantly on company business. More information may be obtained from the Durmet Corporation.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies operating fleets of 15 or more cars should consult Rautheimer and Company directly if they wish to learn of the greater accuracy that individual schedules provide, and which the cost chart shows below. Below is offered: Company with sales fleets of under 15 cars may find the national averages in this chart helpful to their car allowance programs.</td>
</tr>
<tr>
<td>Details of car costs</td>
</tr>
<tr>
<td>Modal is a breakdown of the national average cost figures computed by Rautheimer and Company for a 1960 Chevrolet, 4 cylinders, 30 HP, 4-door sedan.</td>
</tr>
<tr>
<td>Variable costs (Averaged per mile)</td>
</tr>
<tr>
<td>Gasoline and Oil</td>
</tr>
<tr>
<td>Maintenance</td>
</tr>
<tr>
<td>Tires</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Fixed costs (Annually)</td>
</tr>
<tr>
<td>License and Registration</td>
</tr>
<tr>
<td>Property Damage and Liability Insurance (including 3/500000)</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

For mileage in excess of 10,000 annually, an additional depreciation allowance of $145.00 per thousand should be added to the fixed costs.

Using the above figures, it is fairly easy to compute annual driving costs and it can be shown that the amount of driving has a direct relationship to the cost per mile of driving. For example, the average motorist drives about 10,000 miles a year, which results in the following approximate costs:

<table>
<thead>
<tr>
<th>Distance</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000 miles at 3.90 cents per mile</td>
<td>$39.00</td>
</tr>
<tr>
<td>365 days at $21.21</td>
<td>$80.54</td>
</tr>
</tbody>
</table>

(or $119.54 per 12 per cent mile)

In contrast, a car driven twice as far during the same period of time would cost:

<table>
<thead>
<tr>
<th>Distance</th>
<th>Total Cost</th>
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</thead>
<tbody>
<tr>
<td>20,000 miles at 3.90 cents per mile</td>
<td>$78.00</td>
</tr>
<tr>
<td>20 miles at 14.25 per thousand</td>
<td>$29.00</td>
</tr>
<tr>
<td>365 days at $21.21</td>
<td>$80.54</td>
</tr>
</tbody>
</table>

(or $167.75 per 8 per cent mile)