The Real Cost of Car Ownership for Teen Drivers

Driving-Tests.org looks into the real cost of car ownership for teenage drivers and their families as part of a special investigation on teenage driving.

Driving. It’s considered a rite of passage that every teenager dreams about, right? Not so fast. Armed with new data, researchers say that teens are delaying getting their driver's licenses in increasing numbers.

According to a 2013 study by the University Of Michigan Transportation Research Institute (UMTRI), today’s teenagers are waiting longer to get their driver’s licenses than teens from past generations. In fact, statistics show that since 1983, there has been about a 75 percent decrease in 19-year olds with a valid driver’s license. To put that in perspective, in 2010, 30.5 percent of American 19-year olds were unlicensed. In 2008, that number was 24.5 percent and in 1983, that number was a mere 12.7 percent, based on data from the Federal Highway Administration and the U.S. Census Bureau.

Not only have teens been avoiding getting their driver’s licenses, the ones who actually do, are driving shorter distances. The average number of miles driven by young people ages 16-34 decreased from 10,300 miles to only 7,900 miles from 2001-2009. That’s a staggering drop of 23 percent, according to a study led by U.S. PIRG and released in April 2012.

So what’s Going On?

Technology may play a part in this new trend. Michael Sivak, research professor and head of UMTRI said that constant Internet access and the rapid rise of social media have influenced teenagers. “People just don’t need to see each other as much as before because they can communicate through social media,” Sivak said. Platforms like Facebook, Twitter, and Instagram keep teens updated on what their classmates are up to without ever leaving home. Students no longer meet in the library to study. That’s old school. School projects are now done using Google Hangouts or other virtual hangout rooms.

Another contributing factor involves the environment. Millennials, those individuals born after 1980, are very conscious of the damage that’s already been done to the environment. They realize that something needs to change. Instead of using vehicles, they ride bikes, walk, or even

1 http://deepblue.lib.umich.edu/bitstream/handle/2027.42/99124/102951.pdf
2 http://www.uspirg.org/reports/usp/transportation-and-new-generation
3 http://www.umtri.umich.edu/content/rr42_4.pdf
take public transportation, in an effort to reduce their carbon footprint.

One factor that appears to trump the others, when it comes to driving and obtaining licenses, involves the economy. Although many people look at the purchase price of a vehicle and assume that it is the only expense they need to take into consideration, the real cost of owning a vehicle is much more than that. At least 32% of all teens surveyed in a 2013 UMTRI survey indicated that they did not have a driver’s license because “owning and maintaining a vehicle is too expensive.”

The Real Cost of Car Ownership for Teenage Drivers

As part of an ongoing investigation into teenage driving, the online education experts at Driving-Tests.org analyzed the real cost of car ownership for a teenage driver. While it might be nice for a teen to have access to a family vehicle and who wouldn’t be thrilled to receive a car for a “sweet sixteen” birthday, right? Well, when looking to buy a car, there are multiple expenses to consider beyond the physical car itself such as:

- Title Fees
- Tags
- Taxes
- Maintenance
- Parking
- Gasoline
- Tolls

The myriad of expenses are possibly enough to make a teen hand over the keys and say, “Forget it!” In effort to break these costs down, Driving-Tests.org (DTO) relied on extensive research into actual costs.

1. Purchase Price & Payment - “Best Cars for Teens”

Driving-Tests.org started with an analysis of the purchase price based on the top-rated “Best Cars for Teens” as identified in MSN’s Money Magazine by CarInsurance.com. The fourteen vehicles chosen met a set of the following requirements:

- Top 100 safety pick as determined by the Insurance Institute for Highway Safety (IIHS)
- Costs less than $15,000 for a 2009 model according to Edmunds.com.
- Gets 20 mpg or better city/hwy gas mileage according to EPA.

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5 http://deepblue.lib.umich.edu/bitstream/handle/2027.42/99124/102951.pdf
6 http://www.carinsurance.com/best-cars-for-teens.aspx
Scores average or better (according to TrueDelta.com) in annual repair visits.
No pickup trucks, no SUVs, no small or “mini” cars.
Reasonable insurance rates obtainable for an 18-year old.

Pickups and SUV’s were eliminated due to safety concerns. Consumer analyst, Penny Gusner of CarInsurance.com said, “They are not really a great choice for novice drivers because they are taller and have higher centers of gravity, making them more prone to “tripping” on a curb or other obstruction and rolling over—a kind of accident that stability control can’t easily prevent.” Small cars were eliminated as well because they simply don’t hold up well in an accident.

### 14 Best Cars for Teenage Drivers

<table>
<thead>
<tr>
<th>Make &amp; Model</th>
<th>Cost of car</th>
<th>MPG</th>
<th>Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitsubishi Lancer GTS*</td>
<td>$10,890</td>
<td>23</td>
<td>$4,392</td>
</tr>
<tr>
<td>Honda Fit*</td>
<td>$12,694</td>
<td>31</td>
<td>$3,976</td>
</tr>
<tr>
<td>Volkswagen Rabbit 4-door</td>
<td>$11,409</td>
<td>24</td>
<td>$3,874</td>
</tr>
<tr>
<td>Ford Focus 2-door*</td>
<td>$9,239</td>
<td>27</td>
<td>$3,800</td>
</tr>
<tr>
<td>Honda Civic 4-door*</td>
<td>$14,583</td>
<td>29</td>
<td>$3,738</td>
</tr>
<tr>
<td>Subaru Impreza</td>
<td>$11,671</td>
<td>22</td>
<td>$3,732</td>
</tr>
<tr>
<td>Toyota Corolla*</td>
<td>$10,294</td>
<td>30</td>
<td>$3,656</td>
</tr>
<tr>
<td>Audi A3 2.0T</td>
<td>$14,474</td>
<td>24</td>
<td>$3,622</td>
</tr>
<tr>
<td>Volkswagen Jetta</td>
<td>$10,333</td>
<td>24</td>
<td>$3,524</td>
</tr>
<tr>
<td>Sabaru Legacy</td>
<td>$11,216</td>
<td>22</td>
<td>$3,518</td>
</tr>
<tr>
<td>Scion xB</td>
<td>$10,387</td>
<td>24</td>
<td>$3,506</td>
</tr>
<tr>
<td>Ford Fusion*</td>
<td>$11,216</td>
<td>23</td>
<td>$3,494</td>
</tr>
<tr>
<td>Honda Accord</td>
<td>$14,399</td>
<td>24</td>
<td>$3,334</td>
</tr>
<tr>
<td>Ford Taurus</td>
<td>$11,286</td>
<td>21</td>
<td>$3,322</td>
</tr>
</tbody>
</table>

**The DTO estimated average:**

<table>
<thead>
<tr>
<th>Cost of car</th>
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<td>$11,849</td>
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*Electronic stability control optional or available only on some models.

Driving-Tests.org drew the following conclusions from the data and the financials for these cars and came up with the following averages using the top 14 cars from the MSN study of 2009 vehicles:

- Average purchase price: $11,849
- Average combined MPG: 25
- Average Insurance Premium: $3,678 (standalone policy)
2. Acquisition Costs

Using the average purchase price listed above, the DTO team calculated a national average for taxes, tags, and title using data provided by CarMaxx.com.⁷

- California: $1,983.00
- Florida: $1,150.00
- Texas: $938.00
- Massachusetts: $938.00
- Illinois: $1,450.00

The DTO estimated average fees for taxes, tags, and title: $1,292.00

3. Financing

Using interest rates and loan payment estimates from BankRate.com, DTO created the following estimate for illustrative purposes using the average interest rate for a person with A credit from Florida, California and Maryland, and, calculated the following monthly payments.⁸ Keep in mind that credit scores, down-payment and employment verification could affect the interest rates and payments:

- Total acquisition cost: $13,141.00 (includes purchase price, taxes, tags, title)
- Down payment: $1,292.00
- Amount financed: $11,849.00
- Interest rate: 2.73%
- Term: 48 months

The DTO estimated average car payment for teenage drivers = $260.86 per month

4. Insurance

Another cost of owning a car that needs to be factored into a budget is car insurance. Rates vary depending on several factors including age, sex, and car, to name a few. The average standalone annual insurance premium in the “Best Cars for Teens” study was $3,678 for an 18-year old teenage boy.⁹ For their analysis, DTO averaged 4 different scenarios:

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1. Add 18 year old to family policy, teen “borrows” car: $1,518 annual premium
2. Add 18 year old to family policy, buy teen 2002 used car $1,764 annual premium
3. Add 18 year old to family policy, buy teen 2009 used car $2,812 annual premium
4. Exclude teen from family policy, liability only for 2002 car $2,321 annual premium
5. Average standalone policy for “Best Cars” study: $3,678 annual premium

The DTO estimated average insurance for teenage drivers = $202 per month or $2,419 per year.

5. Gasoline

According to the U.S. Energy Information Administration, the average price of regular-grade gasoline (from July through December 2013) is $3.38/gallon.\(^{10}\) When calculating the average number of miles driven by teens, the costs add up. The U.S. Department of Transportation estimates that average to be around 7,624 total miles.

- Average annual miles driven by teen driver: 7,624
- Average annual MPG for “Best Cars for Teens”: 25
- Average annual gallons used: 307
- Average price/gallon: $3.38

The DTO estimated average gasoline consumption by teenage drivers: = $86 per month or $1,031 per year.

6. Upkeep

Another car ownership cost involves basic upkeep including maintenance, repairs, parking, tolls and cleaning. Some automotive experts recommend a good rule of thumb is to budget $100 dollars a month for expected and unexpected expenses.

In addition to maintenance, parking is almost entirely dependent on location. Fox News reported that the average monthly parking garage cost for someone who lives in New York City is $541. Someone living in Seattle may only pay $294. Other drivers in more rural surroundings don’t even need to calculate in parking costs. Similarly, toll road charges are a daily expense for some drivers.

Lastly, 21% of all drivers receive citations each year with the average cost - according to the US Highway Patrol - of $152 per ticket.\(^{11}\) Due to the wide variation regarding parking and toll road expenses.

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\(^{10}\) http://www.eia.gov/tools/faqs/faq.cfm?id=287&t=10

\(^{11}\) http://www.statisticbrain.com/driving-citation-statistics/
costs per month, teenagers should do some research before committing to a vehicle as opposed to using public transportation.

- Annual repairs for a 2009 model vehicle from list:\textsuperscript{12}$118.68
- Annual oil change:\textsuperscript{13} $34.95
- Annual tire rotation:\textsuperscript{14} $60.00
- Annual cost of a quarterly car wash: $48.00
- Annual allowance for parking fees, tickets & tolls: $120.00

The DTO estimated average for upkeep for a teenage driver = $31.80/month or $381.63/year

What is the Real Cost of Car Ownership for Teenage Drivers?

So what is the final number? Teens who “borrow” a family vehicle had insurance, gasoline and fifty percent of upkeep factored in. Teens who “purchase” a vehicle had upfront fees plus payment, gas, insurance and upkeep factored in.

- Borrowers: $244.30 per month -or- $2,932 per year
- Purchasers: $580.66 per month -or- $6,968 per year

Those are significant numbers especially when considering that teenagers are often still dealing with the demands of school and extracurricular activities. To get a job, merely to pay for the expenses of a vehicle, simply does not make sense.

Additional Factors that Influence Cost

1. Males vs. Females

Statistically, male drivers drive more than female drivers of the same age - 8,206 miles per year for teenage boys versus 6,873 miles for teenage girls, according to the most recent USDOT Federal Highway Administration data from 2011.

Insurance companies assign young male drivers a higher risk rating versus a female driver of the same age and industry experts estimate males pay about 25 percent more than females because boys are also much more likely to be in an accident or get a speeding ticket.

\textsuperscript{12} DTO examined repair costs for 37 different vehicles including a Honda Accord, Honda Civic, Toyota Corolla, Volkswagen Jetta and Ford Fusion, as reported by http://www.truedelta.com/

\textsuperscript{13} Jiffy-lube.com

\textsuperscript{14} Firestone.com
While boys - as exemplified in a 2011 survey by SADD - are four times more likely than girls to drink and drive and also more likely to get behind the wheel after smoking marijuana, a new study by AAA indicates that newly licensed females are twice as likely as males to use an electronic device while driving.

2. Fees & Fines

Aside from insurance and gasoline, there are additional costs related to car ownership that might not come to mind such as state and local taxes, state licensing fees, and maintenance and repair costs; some of these expenses are expected, some are not. Buyers should make sure that they have budgeted enough money for any unscheduled maintenance costs.

So, obviously, driving and owning a car is an expense. Is there any way to offset this drain on a wallet, if a car is a necessity or simply a wanted luxury?

Cost-Saving Tips

*Go Green

Hybrid cars get better gas mileage than traditional cars, which can cut the monthly gas budget by as much as 50 percent, or, from an average of $1,031 per year down to $560 per year.

*Get Good Grades

Discounts are available for students who do well in school. High school and college age students age 16 – 24 can benefit from maintaining a ‘B’ average. The average reduction in premiums is a significant, 25 percent.

*Learn to be a Defensive Driver

Completing a defensive driving course online can cost up to $25, but that investment can cut the cost of insurance by 10% for up to three years.

Conclusion

At first glance, this new trend that shows teenagers delaying the once gratifying rite of passage of obtaining a driver’s license seems almost bizarre. But after looking at the reasoning and especially the costs involved, it’s no wonder teenagers hesitate to make that step. Deciding whether to get a license and/or own a vehicle is a big decision, especially for a teenager who usually lacks the funds necessary to buy a vehicle and provide for additional expenses. It is wise to understand the full price and commitment involved when obtaining a license and buying a car.
Today’s teens seem to understand this all too well. Perhaps it’s the adults who haven’t realized just how much it costs to drive or, out of necessity sake, decided, they really don’t want to know. For helpful tips and information about safe driving and owning a car, visit Beginner Driver’s Guide at Driving-Tests.org.

About Driving-Tests.org

Since 2010, this leading online educational learning site that offers free permit practice test services to US drivers, has issued over 4.5 million practice tests. Over 350,000 Americans use this site every month to prepare for their permit test. Written by a team of automotive and online education experts, the 550 uniquely written tests offered by the company are designed for drivers of motor vehicles and motorcycles. Each test is based on the current year’s official Driver’s Manual, so every driver can be sure that they are receiving the most up-to-date test questions available. Users can practice for the test on the go with the Driving-Tests.org mobile application, optimized for iPhone and iPad, entitled DMV Genius: Permit Practice Tests for Your State, available for download in the App Store. Driving-Tests.org has been featured in The Wall Street Journal, The Examiner, Daily News and NY Metro Parents, among many other leading publications.