



The 100,000-Mile Rule: How to Save on Car Insurance Without Adding Risk

As financial professionals, one of our core responsibilities is helping you make confident decisions about where and how to put your money to work. While most conversations focus on investments, retirement savings, or tax planning, everyday financial choices—such as car insurance—can also make a meaningful difference in your bottom line.

A common but often overlooked opportunity to save is evaluating whether you're paying for more auto insurance coverage than you need. This is where the "100,000-mile rule" comes into play. While not perfect, it offers a practical framework for deciding when it may be time to reduce coverage and redirect those savings toward more important financial goals.

What the 100,000-Mile Rule Means

The idea behind the 100,000-mile rule is straightforward: once your vehicle surpasses that milestone, it may no longer make sense to carry both collision and comprehensive coverage. These parts of an auto policy cover repairs or replacement after an accident, theft, or damage, but they are limited by the car's current market value. As vehicles age and accumulate mileage, their value declines steadily. At a certain point, the cost of insuring the car can outweigh what you could reasonably expect to receive in a claim. Reducing coverage at that stage can save

hundreds of dollars each year without materially increasing your financial risk.

Why Insurance Companies Rarely Emphasize It

Insurance providers are quick to highlight why you should add coverage but far less likely to encourage you to drop it. That's because premiums on older, high-mileage cars still generate revenue for them—even if the actual benefit to you has diminished. From your perspective, however, paying premiums for protection you can no longer realistically use is a drain on financial efficiency. Just as in investing, where minimizing unnecessary fees is critical, insurance decisions should focus on optimizing protection while avoiding waste.

Understanding the Financial Trade-Off

Imagine a car valued at \$4,000. If you are paying \$400 a year for collision and comprehensive coverage, the maximum payout you could receive is capped at the car's value minus your deductible. If a major repair exceeds that amount, the insurer declares the car a total loss, leaving you with only a small settlement. Instead of continuing to pay for limited protection, those same dollars could be redirected into a high-yield savings account or certificate of deposit, gradually building what is essentially a "self-insurance fund" for accidents, deductibles, or even a future down payment.

Key Considerations Before Dropping Coverage

The 100,000-mile rule should be treated as a milestone, not a mandate. Several factors need to be weighed carefully. Lease agreements usually require full coverage until the lease ends, and loan contracts typically impose the same requirement until the balance is paid off. Market value is also crucial; resources such as Kelley Blue Book or Carfax can help estimate whether the car is still worth insuring beyond liability. Comparing expected repair costs with the car's value offers further insight. If common repairs approach or exceed what the car is worth, coverage provides little benefit. Most importantly, your financial reserves matter. If you have sufficient savings to fund a replacement vehicle without disrupting long-term plans, reducing coverage may be wise. If not, keeping it a bit longer could provide peace of mind.

When the Rule Applies—and When It Doesn't

This guideline is most relevant for modest sedans, compact cars, or older models worth only a few thousand dollars, where premiums can quickly exceed the likely benefit. It may not apply as quickly to luxury vehicles, trucks, or SUVs with strong resale demand, which can retain meaningful value past the 100,000-mile mark. And of course, it does not apply at all if you are bound by a lease or loan contract requiring full coverage.

The broader takeaway is that insurance coverage should be reassessed regularly, not just when your car crosses a mileage threshold.

An Annual Checkpoint

One simple test is to compare your deductible with the car's market value. If your vehicle is worth only a few hundred dollars more than the deductible, you are effectively insuring very little. In that case, scaling back coverage often makes sense.

Making the Most of Savings

Once coverage is reduced, the savings can be put to better use. For many people, the best option is to build a replacement fund specifically earmarked for a future vehicle. Others may prefer to add to an emergency reserve, pay down high-interest debt, or invest for long-term goals such as retirement or education. Each choice ensures the money is working for you, rather than for the insurance company.

Avoiding the Extremes

It is important not to swing too far in either direction. Liability insurance should never be reduced below state minimum requirements, as it protects you from potentially devastating financial consequences in the event of a serious accident. At the same time, carrying full coverage long after your car has lost substantial value is rarely a sound financial decision. The right balance lies in using insurance for losses you cannot comfortably absorb, while recognizing when risks are manageable within your broader financial plan.

A Practical Perspective

Ultimately, the 100,000-mile rule is less about mileage and more about mindset. It is a reminder not to overpay for coverage that no longer serves you. When your car has high mileage and a lower value, it is worth asking whether collision and comprehensive coverage are still justified. Even modest premium savings can be redirected into strategies that move your financial plan forward—whether that means strengthening cash reserves, reducing debt, or building long-term investments.

As with any financial decision, the right answer depends on your personal goals, resources, and comfort with risk. If you are uncertain, a conversation with both your insurance provider and financial advisor can help ensure your coverage aligns with your overall financial strategy.

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