

What Will Your Summer Vacation Really Cost You?

There's a dear price to pay in making summer memories.



Summer is a popular time to travel. Kids are out of school, making it an ideal time to be a tourist. Many seasonal attractions are only open during this peak travel season. You don't have to be a Griswold to enjoy an unforgettable vacation, but do you know how much it's really costing you?

Before breaking hearts by introducing the concept of compounding math on the costs of typical getaways this summer, I may as well begin with the obvious disclaimer. Some of the best memories that you will ever make will take place during vacations. The opportunity to go out there and collect new experiences is theoretically priceless.

Also, there are many tourist magnets that rely on a steady flow of out-of-towners to fuel the local economy. The last thing that I would want to do is write an article that discourages people from vacationing this summer, setting back the countless jobs and markets that rely on a steady flow of foreign visitors.

However, that said, a lot of people may be spending more money than they realize this summer. The urgency of creating memories now could have implications later and it's a message that rarely gets told.

Not-so-Bon Voyage

The average price of a seven-day cruise is \$2,358 for a couple, according to industry tracker

Cruise Market Watch. Tack on shore excursions, spa treatments, alcoholic drinks and gratuities and the tab at the end of the sea journey will be substantially higher. Suddenly that \$2,358 balloons up to \$3,108.

That's a lot of money. It's a couple of months of rent for most people. It's a ransom that could nab a decent secondhand car. However, what's the true cost of chasing midnight buffets in the Caribbean or getting pampered with a back rub in Maui?

That's where the tragic magic of compounding kicks in. \$3,108 is a lot of money now, but if it were invested in CDs, bonds, or other fixed-income investments generating annual returns of 4 percent over the next 10 years, we're talking about a little more than \$4,600.

Let's go more aggressive. Let's park that cash in a stock market index mutual fund that has historically returned closer to 10 percent. In a decade we would be looking at \$8,061. In 20 years we're looking at \$20,909.

The returns are theoretical. There's naturally going to be volatility in chasing higher rates of return. However, the opportunity cost of taking that lavish vacation is real.

The Road Not Taken

We're talking about just a couple taking a cruise, but most of us have entire families that we take on the road. Those tabs can add up. The average vacation expense for a family of four last summer was \$4,580, according to American Express (AXP). That's more than \$30,800 after two decades of returning 10 percent a year.

Let's aim smaller. You decide to stay closer to home to save money. You drive. You stay at bargain motels. Even a modest \$1,500 getaway could top \$10,000 after 20 years at 10 percent. Robert Frost talked about the road not traveled, but what about the vacation not taken?

Let's close on an upbeat note, circling back to the joys of travel. A vacation is a treasure trove of memories and you only live once. You -- and your children, if you have any -- are only young once. Travel if you can, but don't live in regret for the getaways that got away.

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