

## BUYING A CAR



Your car does not measure your success or your capabilities, but it can limit them. Many students purchase more car than they can afford, and it becomes a 3000 lb. burden that continually drains their limited resources.

When deciding which type of car to purchase, consider how you will use the car. Will you be commuting? Hauling equipment? Traveling with family or friends? Consider how many miles you are going to drive per year. These factors can affect the cost of gas and maintenance for your vehicle. Most students require a safe and reliable car to transport them to school, work and the occasional visit home. The big challenge rests in finding the most economical form of transportation that meets your needs.

### Research Websites:

- Edmunds.com – Community of web users that offers information on various cars and dealer information; free resource
- KBB.com – Offers information on trade-ins and used vehicle information; free resource
- ConsumerReports.org – Statistical tests performed by trained professionals, offers non-biased verifiable information; requires a subscription fee
- CarDeals.org – Car buying information from a nonprofit, consumer organization
- DontGetTakenEveryTime.com – Provides advice on negotiating with car salespersons
- Book: *Don't Get Taken Every Time* by Remar Sutton

These web sites offer information regarding the cost of the cars, any hidden dealer expenses, and available financing options from dealers. In addition, with a little research, you can find the maintenance costs, insurance costs and estimated annual gas costs for each car in order to find the right car for your budget.



### Used Cars

Today, the market embraces used cars more than ever before. Inspection standards have risen, manufacturers are offering warranties on “Certified Pre-Owned” cars, and potential buyers can track the history of used cars through Vehicle Identification Numbers (VINs). In addition, interest rates have continued to decline and the cost of insurance coverage and repairs is usually lower on used automobiles. If you are purchasing a used car from a third party and will not receive a warranty, consider hiring an independent mechanic to inspect the vehicle prior to the purchase.

### Buy or Lease?

**Buy:** The option to buy is often a better decision. When you purchase a car, there are no mileage restrictions and no additional financing costs after loan payments are met.

**Lease:** Drivers are usually limited in the distance they can travel, forced to pay extra for dents or dings in the car, and are left empty handed at the end of the lease term.



## Buying a Car

### Loan Information

If you plan on using a loan to purchase your automobile, check your FICO score (credit score) to ensure you have acceptable credit and shop around for the best loans. Compare loans and speak with someone you trust who understands them. The website [bankrate.com](http://bankrate.com) gives interest rates and additional information.

- Compare lenders to determine loan options.
- Different loan rates exist for new and used cars.
- Independent research allows you to compare market loan interest rates with dealer financing.



### Negotiating

Negotiating is an essential part of purchasing a car at a reasonable price. The key to successful negotiations is being knowledgeable on dealer costs and salespersons' tricks. There are too many sales tricks to cover in this handout, but one is to "turn you over" to several salespersons over several hours to wear you down. If you feel exhausted or confused, leave the dealership

immediately. Always remain calm and refrain from getting emotionally involved. If you are unwilling to walk away from an offer, the salesperson knows you are hooked.

### There are Three Separate Negotiations

#### Price of the car you are purchasing.

- Thoroughly research invoice price, hold backs and other dealer incentives.
- Ask for the "out the door" price (all costs included).
- Avoid purchasing dealer extras such as rust proofing, teflon and fabric coating, and dealer security systems which are often overpriced.

#### Price of your trade-in.

- Thoroughly clean your trade-in.
- Check on the web to find its approximate value.
- Offer it for sale to used car dealers to find its wholesale price prior to negotiations.
- Selling it yourself to a 3rd party (not a dealer) may earn you more money.

#### Financing the loan.

- Compare dealer rates with rates obtained from other lenders.
- Never take the purchased car home if the lending terms are conditional.
- Don't finance a car with balloon payments or prepayment penalties.