



TAKE CONTROL

for Your Future

Get a deal on your wheels

Being smart about how you purchase your next vehicle is a great way to take control of your finances. In tough times, this may mean some sacrifices, like postponing the purchase of a new vehicle or downsizing the number of vehicles in your household. But, if you have a need to buy a car, here are some tips to help you get the most for your money.

Select the right model and price range

Make a car budget asking: How much can you afford to spend on a car or car payment? What about gas and insurance?

Consider your needs: Sedan, two-door, people mover, fuel efficiency.

Will a used car meet your needs? Buying a used car helps you to avoid the depreciation curve: During the first year of ownership, a new car can lose up to 25 percent of its value, and by the fifth year, most cars will depreciate by about 65 percent. Recent studies show that 5-year-old cars have about the same reliability as brand new cars. So there's no excuse about reliability!

Can you pay cash for a used car? Save the amount you would spend on a car payment each month in a savings account until you have sufficient funds to buy an inexpensive used car. This way you avoid financing costs, worries about having bought too much car, worries about being "upside down" (owing more than the car's worth), and the added risk you would face if you wreck the car, lose your job or just can't make the payments.

Consult Consumer Reports (www.consumerreports.org — available at most libraries) for product reliability and maintenance history/projections. Consult Consumer Reports' lists of vehicles favored by thieves to make sure your choice will not have that risk and the related increased insurance costs.

Consider similar makes and models in the category, and select a first and second choice. Many cars share body styles even though the car is made by different manufacturers. Next,

contact your insurance company and inquire about insurance cost on the two vehicles by make and model. (e.g., www.amica.com)

Revisit the budget: Does the cost of insurance (and car payment if applicable) fit? If not, reconsider and select alternate vehicles. For example, insurance is generally more expensive for an SUV than a station wagon.

Locating a vehicle

- Check the local newspaper (paper or online) or www.cars.com to see the range of prices for the vehicle you selected in your area.
- Visit Kelley Blue Book (www.kbb.com) or Edmund's (www.edmunds.com) for prices on new and used vehicles. Most credit unions, banks and public libraries subscribe to these publications.
- Check with family and friends to see if they have a vehicle that is reliable and may be for sale.
- Contact car rental agencies and ask for their sales lot. (e.g., www.Enterprise.com)
- Look for vehicles locally on craigslist (<http://geo.craigslist.org/iso/us/nc>). Be aware that there are many scams out there, so never give out financial information. We suggest you follow the advice below very closely for your safety.

Before you buy

- Compile a list of the prices of comparable vehicles in the area with specific details about condition, options, blue book value and seller.

- Email or call a number of sellers with comparable vehicles and let them know you are serious and would like to pay cash (even if you end up financing, this is the best negotiating tactic).
- Let each seller respond to your email and use the lowered prices to work down the prices of other sellers. Next test-drive the actual cars as the bidding for you as a customer ensues.
- Once you find a car in your price range, get the cash-only price in writing and then consider your needs for financing (if need be).
- Get a car history report on the vehicle (www.carfax.com) to assure it has not been damaged, stolen, or otherwise mistreated.
- Have the vehicle thoroughly inspected by your own trusted mechanic.
- Finally, remember to pay only with a certified check and with the title in hand.

Avoid leasing

- Leasing a vehicle may seem attractive since it often allows you to “purchase” a newer or more expensive vehicle at a lower initial cost. Leases have several drawbacks:
- Leasing a vehicle makes it very hard to negotiate a good purchase price, since terms of the lease are strict.
- Leasing a car requires much higher and more costly insurance coverage to protect the leasing agency’s interest in the vehicle.
- The number of miles you can drive per year is limited and defined in the contract. You must pay a fee for every mile driven in excess of what the contract allows.
- Leases often have restrictions requiring you to live in the state where you “purchased” the car. This may be a problem if you relocate for work or health reasons.
- You may be required to pay a fee if the car has “excess wear and tear” as defined in the lease. This includes stains and damage to the interior of the vehicle or unauthorized modifications.
- You might be required to pay a hefty fee if you turn in the vehicle early.
- It is important to understand that a lease is more an extended rental agreement than a purchase. There are many rules and restrictions. You do not really own the vehicle unless you exercise a purchase option.

Financing a car purchase

As mentioned earlier, the best way to purchase a vehicle is by paying cash. This is especially true in turbulent economic times. If you must use financing, strive to finance as little as possible either by paying part of the price in cash or by keeping the vehicle price as low as possible.

When seeking financing:

- Get a pre-approved loan from your credit union or bank. The financial institution will provide you with a check you can use to write in the purchase amount, up to an approved amount.
- Avoid car lot financing. Auto sellers have arrangements with finance companies that typically offer loans at high interest rates and for loan terms that may exceed the life of the vehicle.
- Having a pre-approved loan essentially makes you a “cash buyer” in the eyes of the car seller. Use the strategies outlined above to get the best price on a vehicle.
- A pre-approved loan allows you to keep your independence from any single car seller since you are not reliant on them for financing.
- Beware of and avoid the “monthly payment” trap. Many car sellers will ask “what do you want for a monthly payment?” The monthly payment approach hides the true cost of car, often causing you to pay too much for a car over the life of the loan. Having a pre-approved loan avoids this trap.

Be patient and enjoy your purchase

Remember that purchasing a vehicle is a process. The time and effort you invest will yield a good return when you buy the right car for the right price.

Finally, once you make your purchase — enjoy your car and the satisfaction of knowing you made the best choice for your needs.

Carolyn L. Bird, Ph.D.,AFC, RFG®

Assistant Professor

Family and Resource Management Specialist

Andrew Behnke, Ph.D.

Assistant Professor and Human Development Specialist

Department of 4-H Youth Development and

Family and Consumer Sciences

COLLEGE OF

AGRICULTURE & LIFE SCIENCES
ACADEMICS • RESEARCH • EXTENSION

Distributed in furtherance of the acts of Congress of May 8 and June 30, 1914. North Carolina State University and North Carolina A&T State University commit themselves to positive action to secure equal opportunity regardless of race, color, creed, national origin, religion, sex, age, veteran status or disability. In addition, the two Universities welcome all persons without regard to sexual orientation. North Carolina State University, North Carolina A&T State University, U.S. Department of Agriculture, and local governments cooperating.