

Buying a Car

When considering buying a car, you need to do your homework before you start looking. First, you need to know what you can afford. The rule is that your monthly car payments should never exceed more than 20 percent of your take-home pay. If you don't do your homework, you could end up with a car you can't afford, and that can get you into financial trouble real fast. But monthly payments are not your ONLY consideration:

- **Value.** Is the car really worth the price they're asking? There are online sites that will help you determine a car's value, whether new or used. A good one is *Kelley Blue Book* at www.kbb.com. Look up the car's value and compare it with the asking price. If it is too high, walk away.
- **History.** If you are buying a used car, what is the history on the car? Has the car been claimed as salvage or restored? Was the car a rental in the past? Has the car been in any accidents? Always get a report on any used car you are purchasing. Dealers will provide it for free if you ask, and if they don't, don't buy the car!
- **Insurance & Registration.** Always get a quote. Having insurance is the law, so check your budget to ensure you can afford the insurance on the type of car you want. In general, more expensive cars are more expensive to insure. And while you're at it, make sure you can afford the yearly registration. The newer the car, the higher the registration fees will be.
- **Repair Expenses.** Be careful that you aren't buying a car that is just going to break down all of the time. You do need to factor in some maintenance and repair expenses, but you also want a car that works. Look online for reliability reviews on sites like *Consumer Reports*.
- **Paying.** If you can, pay cash for your vehicle. This may mean saving up for a while before your purchase, but you will save a ton on finance fees. If you need to borrow money, be careful that you don't get locked into a high interest rate. And NEVER buy a car with a credit card.

What Is the Best Car For ME?

Next, decide on what car best suits your needs. Think about your needs vs your wants before going car shopping.

Needs:

- Affordability – What amount fits within your budget?
- Size – How many car seats do you need to fit in the vehicle?
- Body type – Your job or lifestyle may decide your body type.
- Repair costs – What can you budget for repairs?
- Gas mileage – How many miles do you drive in a week?
- Safety rating – You do have precious cargo, after all!
- Reliability – Some cars have a reputation for problems.
- Parking – How easy is it to park at home, at school, and at work.

Wants:

- Color
- Brand
- Year
- Mileage

Buying Used vs. New

Your car's value continues to go down in its first year, sometimes over 30 percent! This is called depreciation, which is why buying a used car makes so much more financial sense! A CPO is basically a low-mileage car, under five years old, that is refurbished by the manufacturer. You can find these cars at most dealerships. They typically will extend to you what's left on the warranty and add a few more perks. You will pay a little more, but you are getting a reconditioned vehicle and perhaps a little more peace of mind.

Pre-buy Inspection

Always get a pre-buy inspection on a used car before handing over your cash. A lot of people skip this step because it seems complicated. But really, it just takes a little coordination with the seller to get the car to your mechanic. It will cost you a little money, but in the long run it can SAVE you from buying a car with a lot of expensive problems. If you buy a Certified Pre-Owned car, then that inspection has already been done.

Leasing

With a lease, you don't BUY a car; you RENT one. You don't own it, and your payments are only rent on something you don't get to keep. Because you don't own it, you can't trade it in to help you buy another car. Leases come with many restrictions that are confusing and often hard to remember, such as the number of miles you can put on the car, and the amount of wear and tear allowed. These things may lead to an expensive surprise at the end of your lease. So, the bottom line? STAY AWAY FROM LEASES.

Making the Deal

Once you have done your homework, making the deal is the easy part. You already know what the car is worth and what problems it may have. Here are a few tips on making the deal go smoothly:

- Know what the vehicle is worth and walk away if the seller wants too much.
- If you feel pressured, leave. You can always come back. In fact, it is always wise to walk away at least once to give yourself some time to consider the purchase.
- Don't be dazzled into paying for extra things, such as special detailing, pinstriping, extended warranties, etc. They aren't worth it.
- Paying with cash helps you stay within your budget and is motivating to a seller.
- Take someone with you to help you keep your head. Someone older and experienced with buying cars is a great person to have around to help with the deal.
- Ask private sellers to meet you in public areas, such as parking lots. It's safer.

Resources:

1. <https://www.kbb.com/hyundai/elantra/2017/se/?vehicleid=414905&intent=buy-new>
2. <https://www.kbb.com/hyundai/elantra/2017/se-sedan-4d/?vehicleid=415302&intent=buy-used&mileage=16385&condition=very-good&pricetype=private-party>
3. <https://www.kbb.com/hyundai/elantra/2017/se-sedan-4d/?vehicleid=415302&intent=buy-used&mileage=16385&condition=very-good&pricetype=cpo>
4. <https://www.daveramsey.com/blog/car-buying-tips/>