

Buying a Car

Maybe you've always pictured yourself driving a shiny red convertible. Or perhaps you've had a recent addition to the family and you're looking for the practicality of a minivan. Whatever the reason, you're in the market for a new car. Here are some tips to help make the car-buying process a bit easier.

Choosing a Car

As you try to decide what type of car you want to buy, consider the following:

- If you already have a car, what do you like and dislike about it?
- Do you want a lot of passenger space?
- Do you want two doors or four?
- Do you prefer a standard or an automatic transmission?
- How much does prestige matter?
- What about better fuel economy?
- Is your heart set on purchasing a new car, or are you willing to settle for a well-maintained used one?
- How much can you afford to spend?

You'll also want to keep in mind such factors as resale value, maintenance, and insurance costs. It may be helpful to consult one of the many car-buying guides to help you choose a vehicle and give you information on pricing, reliability, and safety. Many are available on-line.

Once you have narrowed down your choices, you'll want to visit some dealerships and take those cars for a test-drive. When you get behind the wheel, ask yourself:

- Is there plenty of legroom and headroom?
- Is it easy to load passengers and cargo?
- Is the seat comfortable?
- Is the control panel visible and accessible?
- Is there enough trunk space?
- Does the car ride smoothly?
- Does the car have good acceleration and handling?

Determining Your Target Price

Once you've settled on a car model, you should do some research on the invoice price, including the cost of any options that you want. That way, you can negotiate the price based on the approximate cost of the vehicle to the dealer, rather than try to bargain down from the sticker price. Keep in mind that the dealer's cost is often less than the invoice price because of factory-to-dealer incentives. That's why a good target price is approximately 3 percent above the invoice price, although this will vary depending on the car model.

Go to the Dealership

Armed with your target price, you should be ready to begin shopping around for the best purchase price. Try to visit more than one dealership, since prices vary. At the dealership, you'll want to be sure to negotiate, keeping in mind the following tips:

- Don't set your sights on just one car model. Many manufacturers offer similar models, and one may be much more affordable than another.
- If you're trading in your old car, don't discuss the trade-in price until you have established a purchase price for the new car. You don't want to negate a good purchase deal by accepting far less than your trade-in vehicle is worth.
- If the dealer isn't willing to give you a deal that you're happy with, don't hesitate to take your business elsewhere.
- If you want to avoid negotiating over price, you may want to consider a dealer with a no-haggle policy.

Closing the Deal

After you and the dealer have settled on a purchase price, you may need to sign some preliminary paperwork and give the dealer a deposit. If you need a loan to purchase the car, you'll also need to obtain financing. If you don't mind making financing arrangements ahead of time, many banks, credit unions, and auto clubs offer favorable interest rates on car loans.

At the dealership, you have a couple of financing options. First, you'll want to ask about special financing programs available through the car manufacturer. These are usually the best deals, offering low interest rates. Unfortunately, though, qualifying for these programs can be hard because special restrictions often apply (e.g., large down payment, limited payment terms).

You can also apply for a traditional car loan through the dealer, who makes additional money by arranging on-the-spot financing. But don't assume you're getting the best deal available. The interest rate on dealer-sponsored loans is usually higher than the interest rate that you would receive on your own.

Around this time, the dealer will try to sell you extras such as an extended warranty, service contract, or rustproofing. Watch out—these extras are expensive and often overpriced. If you're interested in purchasing them, be sure to negotiate a favorable price, or look into buying them elsewhere.

The dealer can also help you arrange proper insurance coverage of your car and make sure that the registration and plates are in order, or you can choose to do this yourself. In either case, once all the paperwork is signed, the dealer will hand you the keys, and the car will be yours!

This article is not intended to be exhaustive nor should any discussion be construed as legal or financial advice.