

# Let's Make a Deal: Car Shopping 101

You've found your next vehicle, but are you ready to talk numbers with the dealer? Before you make an offer, do your homework so you're prepared to walk out with a fair price.

## Top 10 Buying Tips

### 1. Determine How Much You Can Spend

Create a budget. According to most financial planners, a monthly auto payment should be no more than 20% of your gross monthly income. Also, know your credit score up front and what it means to you. **The higher your score, the lower your rate will be.** Use online payment calculators to help you figure out which vehicles fit your budget and what the monthly payment might be.

INCOME	
Total Monthly Gross Income	\$ _____
- Taxes, Health Ins. & Other Deductions	- \$ _____
- Savings, 401K, etc.	- \$ _____
<b>Total Monthly 'Spendable' Income</b>	<b>\$ _____</b>
EXPENSES	
	Monthly Payments
Rent or Mortgage	\$ _____
Utilities	\$ _____
Taxes	\$ _____
Car Payment	\$ _____
Fuel/Maintenance/Repairs	\$ _____
Creditor #1	\$ _____
Creditor #2	\$ _____
Creditor #3	\$ _____
Creditor #4	\$ _____
Creditor #5	\$ _____
Charitable Contributions/Church	\$ _____
Groceries, Lunches, Meals Out	\$ _____
Childcare/School Tuition/Supplies	\$ _____
Medical Bills/Prescriptions/CoPays	\$ _____
Pet Supplies & Vet Exams	\$ _____
Entertainment/Subscriptions	\$ _____
Clothing/Haircuts	\$ _____
Gifts	\$ _____
Other	\$ _____
<b>Total Monthly 'Spendable' Income</b>	<b>\$ _____</b>
<b>MONTHLY SURPLUS OR SHORTAGE</b>	<b>\$ _____</b>

### 2. Research Online

Try not to let your purchase decision be an emotional one. There is an incredible amount of information available on the internet, but what specifically should you be looking for? There's pricing, different option packages, safety, and even long-term cost of ownership to consider. The more information you have, the better prepared you will be to make that all important final decision: what car is right for me?

### 3. Know How Much the Dealer Paid for the Vehicle

Knowing the invoice price on a new vehicle can help you negotiate a better deal. This is the price the dealer paid for the vehicle, excluding any costs for advertising, destination charges or special regional pricing. You can research new vehicle pricing online. When buying a used vehicle, it's important to know the wholesale and retail values. You should also get a vehicle history report from a site like CARFAX ([www.carfax.com](http://www.carfax.com)). You'll find out, for instance, how long the vehicle has been sitting on the dealer's lot. If it's been there awhile, ask why. Price out different dealerships on the same car, make them earn your business.

### 4. Set Your Price

Figure out the cost for vehicle options and subtract any rebates or incentives currently offered for a new vehicle. Used or Certified Pre-owned vehicles are also a smart option for the value conscious among us. Also, consider whether you will be paying cash or will be financing your vehicle. If you have a trade-in, find out how much it is worth. Research trade-in values and make sure to factor in the condition of your vehicle.

### 5. Contact the Dealer for Pricing Online

Consider negotiating the price of your vehicle online through the dealer's website, rather than in person. You can sometimes get a better price that way. Plus, it can be less intimidating. By phone, make sure to detail all options and descriptions so that the information you receive will compare apples to apples. For online requests, the vehicle and options you have selected are sent directly to the dealer. This program provides you with a contact, usually from the dealer's Fleet or Internet Departments, who will work with you from start to finish of your vehicle purchase process. Use this person as a resource. Working with fleet personnel helps ensure that you get a better deal, since they usually work the entire deal by themselves without a lot of intervention from other managers at the dealership.

### 6. Negotiate

Never ask what the Manufacturer's Suggested Retail Price (MSRP) or "sticker" price is of a vehicle. If you start at a higher price, it will be harder to get a really good deal on the vehicle. Negotiate up from invoice, not down from MSRP on a new vehicle. On a used vehicle, negotiate up from wholesale value, not down from retail value. The dealer can always go lower, even if they say that is their bottom dollar, they will not let you walk over \$500 bucks. Let the dealership know that you are pre approved and can take delivery of the vehicle today, if the price works out for you. That way they know you are serious and they know they can make a sale happen the same day.

## 7. Credit Union Financing Is Usually Your Best Bet

Don't be fooled by 0% or low-interest rate financing. Some vehicles come with zero-percent financing. Calculate whether the zero-percent financing or the rebates is the better deal. Zero-percent financing isn't always better, especially if you won't keep your vehicle for long. Shop around for rates before you deal. And know your credit score.

	FACTORY FINANCING 36 Month	CREDIT UNION FINANCING 36 Month
Term of Loan	36 Month	36 Month
Loan Rate	0.00% APR	5.25% APR*
Price of Car	\$25,000.00	\$25,000.00
Down Payment/ Trade-in	(\$6000.00)	(\$6000.00)
Negotiated Rebate	0.00	(\$2,000.00)
Amount of Loan	\$19,000.00	\$17,000.00
Monthly Payment	\$527.77	\$512.38
Total Amount Paid	\$19,000.00	\$18,445.68
<b>Savings:</b>		<b>\$554.32</b>

\*Example Credit Union rate

## 8. Test Drive

Don't ever buy a car without taking a test drive (in the vehicle you are planning to purchase), even with a new vehicle! Once you've negotiated the best price, set an appointment with your contact at the dealership. With a used vehicle, we highly recommend that you request a conditioning report and have your own mechanic inspect the vehicle. The dealer often times will not stick real money into a used vehicle but rather sell it "as is". Some dealers now call these conditioning reports "certification." A certified used vehicle is usually a little more expensive, but can include a warranty and special financing terms.

## 9. Close the Deal

Don't forget to use the information you researched on your trade-in to get the most for it. Have the dealer show you the price for your trade separate from the deal; dealers often package the amount offered on your trade with the final figure of your monthly payment. It's important that you get the best overall purchase price, a reasonable monthly payment, and a good deal on your trade.

## 10. What about the Extras

Once you reach the Finance & Insurance (F&I) office, the dealer will offer you various extras to protect your vehicle or loan. Listen closely to what the dealer is offering, and ask yourself which extras makes sense to you and adds value to your purchase. Before saying yes to any extras, ask yourself whether they will fit into your budget and what you might be willing to sacrifice to take them. If you don't plan to own your vehicle beyond the manufacturer warranty, think twice about extended warranties. Dealer marks up warranty between 400-1200 from cost...the product is generally good but way over priced. The make commission on extended warranty and other add ons...the higher they sell it for, the more they make....you should do research on appropriate costs for these products, so you can negotiate them down or make them an offer...Make sure you know what your deductible is on the warranty, they usually have a 100 deductible, but they can go as high as 250 bucks, per occurrence/repair. The products they sell have value but not when you are paying double the cost for them.

Of all the choices you might be offered, we recommend that you consider the following two:

**Guaranteed Auto Protection (GAP):** Purchasing GAP is crucial if you owed more on your last vehicle than it was worth and agreed to have the dealer add it to your loan. GAP is also a wise choice if you drive a lot of miles each year, even if you make a down payment of 20%. The value of your new vehicle at the time of delivery decreases tremendously the minute you drive off the lot (and even more with a used vehicle). GAP protects you from the difference between what your insurance company says your vehicle is worth and what you actually owe the lender. Read the fine print. Not all GAP coverage is the same.

**Service Contract:** If you've financed or leased for a short term (36 months), you probably don't need a service contract. If you are planning to keep the vehicle for longer than 36 months or you drive a lot of miles, you should consider this purchase. Make sure the service contract covers wear and tear and mechanical breakdown. Also, know the difference between a service contract and an MBI policy. With MBI, a part usually has to break on the car to warrant repair, and often you must pay the bill with the repair shop and submit a claim on your own. Service contracts are accepted almost everywhere, they usually cost a little more, but they normally provide more coverage. The more dependable a car you choose, the cheaper the warranty. Don't be fooled by the Manufacturers' Standard Warranty that gives you 100,000 miles of protection! They don't typically cover everything that could breakdown on your vehicle.

## More Information

### [www.dupaco.com](http://www.dupaco.com)

Visit the Dupaco website to view rates, take the loan calculators for a drive or instantly apply for a loan.

### [www.nadaguides.com](http://www.nadaguides.com)

### [www.kbb.com](http://www.kbb.com)

If you're trading your current vehicle, go to NADA or Kelley Blue Book to learn what it's worth.

### [www.carfax.com](http://www.carfax.com)

If you're buying a used vehicle, get a vehicle history report.

### [cudlautosmart.com](http://cudlautosmart.com)

The CUDL AutoSMART website links to other valuable information you'll need when researching new, used and pre-owned vehicles on the web. Through the CUDL AutoSMART program you can work with local CUDL AutoSMART dealers to receive pricing and availability on new or used vehicles before visiting the dealership (either online or by phone).

### [www.edmunds.com](http://www.edmunds.com)

Edmunds offers a wealth of free information for new-vehicle shoppers. Find out what the dealer paid for the vehicle, the manufacturer's suggested retail price, what rebates are available and more.

