

New Car Buying Guide

Overview

The sheer variety of vehicles available from so many manufacturers can easily overwhelm an unprepared shopper. Before making the first trip to a dealer, you should determine what kind of car you need, now and in the future. Obviously, if you have a family of four and are shopping for the family's only car, you must consider only cars which seat at least four people and have adequate luggage space. And if you are single carefree soldier with no immediate plans for a family, a two-seater sports car may be just the thing. But you must also consider the next few years and make sure that your future needs won't make your new car impractical. You must plan to drive this new car for several years, and if you have to trade it in early because your new family will not fit in it, you'll probably take a financial beating.

The field of available cars will also be narrowed considerably by price. You should determine just how much you can realistically afford to pay, and do not exceed that amount no matter how much you like a specific car. Remember to include the cost of insurance, gasoline, and maintenance when budgeting. Also, remember that your budget can change drastically due to deployments, loss of a spouse's job, PCS moves, and other factors. Always plan for the worst case, now and in the future. For example, if you're stationed overseas, you may be receiving extra allowances and your spouse may be working on post, so your finances look pretty good. But when you return to the States, the extra allowances end and your spouse may not be able to find a job, causing major financial problems if you didn't consider this possibility when budgeting for a new car. For professional assistance, go to your local Army Community Service for budgeting help.

Research

Once you have a reasonable idea of what kind of car you are looking for, research consumer and auto magazines and other publications to get specific recommendations. The road tests and evaluations by automotive professionals can be invaluable in separating the better cars and values from the rest of the pack. Especially valuable are the tests performed over thousands of miles, giving a good idea of the car's durability and maintenance needs. Some magazines also rate used cars and provide information on the likelihood of problems in specific systems on each car.

Somewhere during the shopping process, you will narrow the field to a few specific cars. At that time, check with your insurance agent to compare the cost of insuring each particular car. Two cars may be comparable in price, features, size, and desirability, but vary considerably in insurance cost. This may be because one costs much more to repair or is more likely to be stolen or vandalized. After getting the rates from your agent, use them to compare the true cost of driving the different cars under consideration and also plug the rates into your budget.

At this point, the buying process gets more specialized depending upon whether you are buying a new car or a used car. Let's talk about getting the best deal on a new car. Keep in mind that some of this information may also be helpful when dealing for a used car.

Assuming that you have already narrowed your choices down to a select few, it's time to get into specifics about such things as color and options. Here, you must remember that you will probably not drive this car for the rest of your life, so you must consider resale value when making choices. For example, at the time you are shopping, purple cars may be all the rage, but a few years from now, when it's time to trade in or sell the car, a purple car may be impossible to unload because the faddish color is not longer fashionable. For that reason, you would be wise to stick to colors and trim packages that are perennially popular. Optional equipment also will affect the resale value of your car. You should make sure that you buy the commonly desired options, even if you don't really need them. For example, in certain parts of the country, many people don't buy air conditioning in their cars because the local climate doesn't require it. That's fine for civilians who will probably be trading or reselling the car in the same area. However, being in the military, you have no idea where you'll be when the time comes to trade or sell, and you'll never

unload a car with no air conditioning in the South! On the other hand, some options may add no resale value or may actually detract from it. Luckily, the manufacturers have made more and more equipment standard over the years, so it's easier to buy a complete package with less hassle.

Also, you'll have to choose between leasing and purchasing. Leasing has grown by leaps and bounds since cars became so expensive. Many people have found that they can lease a nicer car than they can purchase, and the manufacturers obviously love it because they can move more higher-priced cars. But a lease should only be considered by those people who insist on having a new car every few years and who don't put lots of miles on their cars. And military personnel probably shouldn't consider leasing at all because of a couple of clauses in the typical lease contract which make it tough to take the car out of the US while requiring that the consumer store or garage the car wherever he is residing. Effectively, these clauses say that if the soldier gets orders for overseas he can't take the car with him and he can't leave it behind!

You not only must choose a specific group of cars to look at, you must also choose which dealers to shop at. Of course, your choices are somewhat limited (you won't have much luck trying to buy a new Ford from a Chevrolet dealer), but there are usually multiple dealers for most makes within driving distance. You may wish to research specific dealers through the Better Business Bureau or by obtaining Customer Service Index ratings from the manufacturers. Remember that driving off the lot with your new car is not the end of your relationship with the dealer. You'll probably rely on the dealer for service, parts, and possibly another car, so choose a dealer for more reasons than just a good price. Ask your friends and others who have been in the area for their recommendations. Remember that some people just can't be pleased, so don't let their criticism sour you on a dealer with an otherwise good reputation. Don't be afraid to ask questions at the dealership as well. How long has the service manager been there? Have the technicians been there awhile, or do they tend to come and go frequently? Do the people who work there seem happy with their jobs? Of course, price and selection will still be major factors, but service and satisfaction will become more important the longer you own the car.

So, you've decided which cars to look at closely and at which dealers to shop. Now comes the fun part, the wheeling and dealing and negotiating for the best possible price. First, a few words about "one-price dealers". Some dealers, either by their own decision or that of their manufacturer, have adopted a one-price policy. Basically, this means that every new car on the lot is marked with a reduced price somewhere between invoice and sticker price. No negotiating is done, as a matter of fact, there might not even be a salesman. Everyone pays the same price for that particular car. Supposedly, this approach benefits everyone and saves the hassle of negotiation. While one-price shopping may help those who are poor negotiators, the prices usually are higher than the price which can be reached by a good negotiator. The best approach would probably be to negotiate first and only try the one-price dealers as a back-up in case wheeling and dealing fails.

It is important to remember that the dealer is in business to make money. He not only must have some profit, but must pay his employees, utilities, insurance and other expenses. You should not expect the dealer to sell a car and make no money on the deal. Your aim should be to reach a fair price that allows the dealer a reasonable profit while simultaneously saving yourself a few dollars. But what is a "reasonable profit"? In general, most dealers will sell a typical car at \$300-500 dollars over invoice. This is only a rule-of-thumb. You may actually be able to pay less at some dealers, or you may have to pay much more for a popular model that is in short supply. Even at invoice, the dealer still makes some money, usually about three to four percent, known as the "holdback". He may also get incentives from the manufacturer for selling a certain number of vehicles in a set time frame. For this reason, you may be able to get a better deal the last few days of the month if the dealer is trying to move a few units to earn an incentive.

Don't walk into a dealer and expect to be shown the invoice. If you request it, you may be told to buy your own dealership. But you can, with a little research, come very close to determining the invoice price. Several web sites provide the retail and invoice prices for cars as well as the available options. Check our

Financial Readiness page for links to some of the good sites. This information allows you to negotiate up from the invoice, rather than down from the sticker. Also, basing negotiations on the invoice price eliminates another potentially sticky subject, the "dealer pack". A "dealer pack" usually consists of aftermarket undercoating, fabric protection, and paint sealant. The need for or value of these add-ons is dubious at best, and the pack is drastically overpriced, usually in the range of three hundred to six hundred dollars for what costs the dealer less than one hundred dollars. The "dealer pack" is simply another way to build more profit into a car deal and should probably be ignored altogether in negotiation. Don't let the dealer push you into paying a ridiculous price for something that you don't need and didn't ask for!

Do not walk into a dealer like you own the place, waving your price printout, and demand to buy a car at your price. Doing so will probably just get everybody mad at you and less willing to want to sell you a car. A low key approach is likely to work much better. Make a legitimate offer, one in which the dealer can make some money, and expect a higher counteroffer. If the dealer claims that your pricing information is all wrong, then ask him to show you the invoice for proof. During this stage of the process, patience wins. It also helps to remember that you don't have to buy this particular car from this particular dealer, and that you can always walk out if you can't reach an agreement. Do so nicely, because you might be back later for another attempt.

There are few specific pitfalls to watch out for while negotiating. You may get "handed-off" to another salesperson or manager in an effort to wear you down. If this happens, insist on dealing only with the original salesperson or walk out. A common tactic is "low-balling", meaning that the salesperson agrees on a terrific price only to have that price "refused" by the manager. Again, this might be a good time to walk out. If you are trading in another vehicle, don't get confused by creative accounting. Dealers commonly overstate the value of cars accepted in trade. This may be part of an attempt to confuse you into taking a bad deal, or it may be done for other reasons. It's not always wrong, but be careful!

What kind of payment can you afford?

At some point, you may be asked "What kind of payment can you afford?", or something to that effect. Frankly, that's none of their business. You should be dealing for a firm price on the vehicle, not for a monthly payment. Determine a fair price, have someone figure what the payments will be, then decide on whether or not it meets your budget.

Unless you're lucky enough to be paying cash, you will also need to shop for financing. You should do some of this before actually shopping for the car. Check into all possible financing sources, compare their rates, and maybe ask for pre-approval. Check into the payment amounts for various loan amounts so that you'll have an idea of what you can afford. Dealerships may also offer financing, sometimes they might even have the best rate. If so, there is no reason to go elsewhere.

Final Steps

Last but certainly not least, you must be careful not to blow your hard-earned deal by allowing the dealer to stick a lot of unnecessary extras on the contract. You probably don't need credit health and life insurance. It's usually smarter to buy a term life insurance policy if your existing policy isn't sufficient. Don't pay for dealer prep! It's already been paid for by the manufacturer. Examine extended warranties carefully. You may not need it, or maybe you can get a better deal later. Other than taxes and tags, beware any other charges on the contract. Remember, you'll be financing any of this stuff right along with the price of the car. Never, ever, sign a contract with any blank spaces. Read the contract and other papers carefully, making sure that everything is still as it was agreed on. Make sure that you get a copy of the contract immediately.