

LESSON 5

Buying a Car

Terms Review

- APR
- Coupe
- Collision Insurance
- Lease
- Liability Insurance
- Loan
- Minivan
- No-Fault Auto Insurance
- Sedan
- SUV (Sports Utility Vehicle)

Which Car is Right for You?

- Type of car:
 - **Fuel efficient**
 - Small
 - Able to carry a lot of passengers
 - Need to haul “stuff”
 - Cost
 - Can you afford **monthly payment, insurance, gas, maintenance, etc.?**

New or Used?

- **New** car
 - You are 1st owner
 - **Warranties**
 - Loses at least 30% of its resale value in 1st 2 years
- **Used** car
 - Owned by one (or more) other owners
 - Cheaper than new car
 - Not sure how well maintained it is or how “hard” it’s been driven
 - May have been in accident (CarFax)

What Can I Afford?

- What **features** do you need?
 - Cost of insurance based on value of car
 - More features & more expensive car = more expensive insurance
- **Size/type** of vehicle
 - Smaller cars more fuel efficient
 - Larger cars can carry more stuff and/or people

Insurance

- **Insurance**
 - Cost based on value of vehicle and your driving
 - **Liability**
 - **Collision**
 - **Comprehensive**
 - Uninsured/underinsured motorist
 - “No Fault”

Where to Find a Car

- **Car lots**

- New and/or used cars available
- Pay more for used car than if bought directly from individual owner

- **Classified ads/Other**

- Purchase from individual owner

- **Research** car before buying

- Research quality
 - Consumer Reports, Car & Driver, Road & Track, etc.
- Research Cost
 - Kelley Blue Book, Edmunds

Own vs. Lease

- **Own**

- Can do with what you wish
 - Better stereo
 - Other customization
- Car payment higher than lease

- **Lease**

- Pay someone else for the privilege of driving their car
 - You don't own it
- Car payment less than if purchased outright
- May have to pay penalties if you exceed mileage limits in lease agreement

If Buying Car:

- Put down 20% as down payment
 - Protects loan from going “upside down”
 - Monthly payment lower
- What do lenders look for?
 - Steady income
 - Established residence
 - Established employment
 - Credit history

Operation & Maintenance

- Oil changes
 - 3 months or **3,000 miles** (some may be longer)
- Tires
 - May need to replace
 - Rotate every other oil change
 - Buy based on driving needs, not on being “cool”
- Repairs
 - Parts wear out and break
 - Regular maintenance
 - Replacement can be expensive
- Budget for & save **\$200 - \$500** per year for at least one medium-sized repair