

# New Car

BUYING GUIDE





# Get the Info You Need

Car purchases are sizable investments, but a certain excitement also surrounds the buying process that can make it easy to get distracted.

Don't find yourself suffering from buyer's remorse because you chose poorly. Here's what to ask your salesperson to make sure you're getting the right deal for your needs.

## WARRANTY COVERAGE

Most new car purchases are backed by a manufacturer's warranty. Some local dealerships also have their own add-on plans. The levels of coverage and pricing vary widely, depending on factors like whether you're purchasing a bumper-to-bumper plan or simply covering the powertrain. Putting a more comprehensive and longer-term plan in place is usually recommended for those who live and work in a high-mileage situation.

## REPAIR EXPENSES

New cars are almost always more expensive to repair than older vehicles, except in the case of a true classic car. Discuss typical costs associated with your purchase with sales personnel, with a focus on things that may not be covered by a warranty. The service manager at the dealership might also be brought into the conver-



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sation. If your warranty doesn't cover oil changes, for instance, be aware that auto manufacturers are now designing cars to run on higher-quality fluids for lubrication — with a correspondingly higher price tag than conventional oil.

## INSURANCE RATES

You can't always get accurate

and timely insurance quotes on a car before you buy. That's where a savvy salesperson can help. Pros from the local dealership have sold plenty of these makes and models, so they should have a wealth of knowledge about associated insurance costs. In general, expect elevated rates for luxury vehicles, sports cars and hybrids,

since repair costs are also so high. The salesperson might also have a smart suggestion about where to get a better rate.

## OTHER INCIDENTALS

Ask if there are other similarly priced cars on the lot. Check to see if they have any desirable features that may be missing

from the car you've test driven. Be on the lookout for hidden mileage from previous test drives. It's nearly impossible to find a new car that has all zeros on the odometer, but excessive pre-sale mileage can become a point of negotiation. Ask about a price reduction, since the car has obviously been on the lot for a while.

# Improve Your Credit

Almost everyone finances new vehicles, meaning you borrow the full cost of the car and then pay down the loan over time — with interest.

A poor credit score ensures that your interest rate is higher, adding lots of additional cost to your purchase.

## HOW IT WORKS

If your score is poor enough, interest rates won't even enter the conversation. You will likely be turned down for any car loan. This number is directly related to your history of paying off debts, so the dealership might worry that you're not reliable enough to keep up with the new car payments. Repairing the damage will take much less time if your score is within an acceptable range, and you're simply looking to shave off a few points with the interest rates. Check your score before heading to the dealership. If it's not where you want it to be, work on improving this number before entering into discussions with the financing department.

## REVIEWING YOUR REPORT

Lenders will also be looking at your report, which organizes a score around five critical factors: history of payment,



amount of credit usage, length of time with individual accounts, the mixture of credit debt and inquiries about new credit. Look for inaccuracies or invalid old information that may impact your score, and work to get those removed as quickly as possible. Then focus on areas where improvement is required.

## ON-TIME PAYMENTS

Not paying on time, referred to as “slow pays,” has a big negative impact on your score. If you've been late in the past, work to pay in a timely manner going forward. Set up calendar reminders or automatic bill payments, either through your bank or the lender's website. Those who are less tech-savvy might

consider attaching a calendar in a well-traveled place in their home.

## LOWERED DEBT AMOUNTS

If you arrived with too much debt, lenders are going to be unwilling to let you take on more. Limit your credit purchases while applying as many additional funds as possible

to pay down your bills. Pay off smaller debts, and direct money that would be used for those payments to address larger debts. Once you've gotten a handle on things, begin making small charges again — but then pay it off each month. Taken together, these actions will begin to push your score higher.



# Consider the Latest Models

Price isn't the only difference when buying new or used vehicles. You'll also have to evaluate what you're willing to spend if an older car breaks down, since they're not always backed by a dealer-sponsored warranty.

## HISTORY

The risk with buying a used car used to be that its history was unknown. Modern informational sites now make it easier than ever to trace a vehicle's complete history, including accidents and owner transfers. On the other hand, new cars literally have no history. You don't have to wonder if the previous owner was responsible about regular maintenance, or if there's a hidden problem under the hood. Researching older cars is also time-consuming and potentially expensive.

## EXPERIENCE

There is virtually no difference in the car-buying experience if you purchase a used car at a dealership. You'll deal with the same knowledgeable staff of salespeople, financing experts and service personnel. Of course, things may go much differently if you buy a used car from a neighbor. There is significant paperwork involved that a dealership would typical-



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ly handle. In most cases, buying a car from a dealer is a one-day transaction. It may take longer to get everything taken care of if you buy from another individual.

## DEALS

Dealers and automakers offer incentive packages to get buyers into new cars, and sometimes the savings based on the

sticker price can be notable. These sales are usually keyed to the calendar of new model releases, but may also factor in if a dealership is having trouble selling certain models. Check back often for updated offers.

Financing can be streamlined with new cars, since the value of the asset is easier to judge. The interest rates may be lower, as well. More recent-

ly, dealers have been offering warranty programs on their used cars, as well. That's increased buyer confidence, while also saving them big bucks down the road. Still, new car warranties are often more comprehensive.

## TECHNOLOGY

Obviously, new cars are going to have a leg up on older

models when it comes to the latest in technology. If you're willing to live without these newer safety, connectivity, efficiency and entertainment options, talking to your dealer about a used car might make more sense. But those looking for things like interactive maps and Bluetooth capability will need to focus on the latest models.



# Warranty Options

It's important to do plenty of research, and ask the right questions, before deciding on a car. This is particularly true when it comes to warranties, which can widely vary in their coverages and costs.

Here's what you need to know about these programs, beginning with their often-confusing terminology.

## CONTRACT TERMINOLOGY

There are basic terms you'll need to understand in order to make the proper comparisons. The level of coverage you'll hear a lot is called "bumper-to-bumper." This is a comprehensive program that covers everything in the vehicle except for specifically listed exclusions. Terms usually begin at three years or 36,000 miles and extend forward for additional years, at a price.

Powertrain warranties, on the other hand, protect the power-producing parts of the car, including the engine and transmission. While they cover less, they last longer — sometimes up to 10 years and 100,000 miles.

Transferrable warranties, as the name suggests, allow for the policy to be linked with the car when it's sold to someone else. This is of note, since



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some longer-term warranties do not make room for such transfers. Finally, wear-and-tear warranties are much shorter-term programs that focus only on parts that would normally be replaced but for some reason break down earlier. Corrosion coverage focuses on areas that may rust like the chassis or lower vehicle body. They're often recommended in areas where win-

try conditions mean salt is used on roads.

## DO YOUR RESEARCH

Warranty and warranty companies should be researched with the same thoroughness and attention to detail as a dealer or manufacturer. Look for online reviews focusing on the company's service record, how closely it honors agreements, and cus-

tomers care. Ask friends and family about their experience with the company, as well.

## OTHER OPTIONS

Look for programs with additional perks like roadside assistance, regular maintenance, travel-interruption benefits and reimbursements for rental cars. Extended warranties are often offered on new cars, but whether you

should pay the additional money really comes down to how long you intend to keep and drive the vehicle. Those who are only going to keep a car for five or six years should pass on this extra expense. Consumer Reports also warns new car buyers to beware of third-party warranties, in particular those with the most expensive price tags. They may not be worth it.



# Lease for Regular Upgrades

Do you get a new car every few years, like clockwork? Leasing could be a smarter option than buying, but there are drawbacks.

For instance, you'll have to watch your mileage, since penalties may apply. That's not the only consideration.

## HOW THEY WORK

Signing a lease on a car is no different than choosing to rent a condo or apartment. You pay a monthly note for a set period of time in order to have usage of the car. When the lease is up, the vehicle is returned. If all pre-conditions are met, that's the end of the arrangement. The notes on leased cars are usually less than an outright purchase, offering buyers a chance to drive something that's a bit more expensive than what they may have otherwise been willing or able to afford. You are also free to sign up for consecutive leases, meaning the vehicle is always under warranty. So, you'll never have to worry about repair costs again.

## PERKS OF BUYING

You won't ever actually own a leased vehicle, so it's never paid off. There is just a never-ending series of loan payments. Buyers, on the other hand, end up with a valuable asset. Cars rapidly depreciate in their early



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years, before leveling off and retaining a fairly stable valuation. When you lease, you also agree to contractually limited mileage. This may be less of a concern if you work remotely, but a huge drawback if your job or extended family is further away. Buyers can sell at any

time, while those who lease are heavily penalized if they try to break the contract. Termination fees can be in the thousands of dollars, and it's due in a lump sum.

## OTHER CONSIDERATIONS

Leased vehicles also must

be kept in immaculate condition, at the risk of still more penalties. Not all leases allow for a trade-in to count toward the initial down payment, meaning you'll need to come up with more cash. Those with lower credit scores may have difficulty getting a lease.

Not only are leasers penalized for driving too many miles, but they also don't get credit for unused miles. Still, those who love to have the latest pricey technological advances might consider leasing since they're only available in the newest cars.

# Maximize Your Trade-In

A trade-in vehicle can provide a huge boost to your initial down payment on a new car, opening up still more purchase options around the showroom floor.

Dealers can be choosy about what they choose to accept, however, since only the best-kept used cars will easily resell. Here's how to make your trade-in more attractive to dealers, while maximizing its value.

## WHAT THEY LOOK FOR

Dealers were desperate for used-car inventory not too long ago, as supply-chain issues impacted the number of new vehicles available for sale. Yet they still had certain standards since the cars have to be resold in order for their investment to make sense. There's a tidy profit to be made, but only if they find value in your current vehicle. The age and condition of the vehicle are taken into account, as well as market demand in your area.

## SMALL CHANGES

Consider making repairs that can make a big impact on the car's value. Even small cosmetic changes can end up changing the final valuation. Have a qualified mechanic look everything over beforehand. You'll lose money with every unusual noise, warning



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light or excess emission. If they find larger issues, that can also factor into what you expect from a trade-in standpoint, too.

If your vehicle is under recall, that might also impact the final figure — since additional work will have to be done before the car can be listed for resell. Hire a local

detailer to spruce up the interior and shine up the outside. Some companies specifically focus on preparing used cars for trade-in at local car dealerships. They'll have unique insights into what will get you the best offer.

## SMART NEGOTIATING

Arrive at these negotiations

armed with a clear idea about the generally agreed-upon value of a car from this model year. The more you know about what others are paying to buy back these cars, the better position you'll be to speak with authority on what it's worth. Kelley Blue Book is the best-known source for this information, though there are

others. Look for a trade-in database then answer a questionnaire as honestly as possible to get the most accurate possible estimate.

Shop around if you don't receive an offer that's in line with these estimates. Someone else might have more interest in reselling your particular vehicle.



# Understanding Safety Ratings

Passenger vehicles are tested for safety in the United States by the Insurance Institute for Highway Safety, then assigned a rating. There are a number of areas of evaluation, including crash-worthiness and safety features.



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Cars and trucks with the most outstanding track records are awarded the Top Safety Pick and Top Safety Pick+ designations. Here's a look at how these designations are made, and where you can find out more about your new car purchase.

## WHAT THEY DO

The Insurance Institute for Highway Safety describes itself as “an independent, nonprofit scientific and educational organization dedicated to reducing deaths, injuries and property damage from motor vehicle crashes through research and evaluation and through educa-

tion of consumers, policymakers and safety professionals.” They evaluate how a car holds up in a crash based on protecting occupants. Their industry-trusted scores also take into account crash mitigation and avoidance through technology, which aids in preventing or lessening the severity of an accident.

## TEST TYPES

The IIHS conducts a range of tests that focus on frontal, side and rear crashes; seats and head restraints; headlight evaluations; roof strength; crash prevention; and child-seat anchors and tethers. Together, this provides the clearest possible pic-

ture of which cars are the safest to drive. They purchase vehicles from local dealers in the same manner as a consumer would in order to conduct these evaluations.

## FIND OUT MORE

You can search for the safety ratings of new vehicles through the institute's website at [iihs.org](http://iihs.org). Cars are organized based on ratings of “good,” “acceptable,” “marginal” and “poor,” based on results from these tests. Also listed are available safety options, including blind-spot warnings, running lights, and lane-departure warning and prevention technology, among other things.

Safety-conscious consumers can also find more about driver-death rates as well as insurance losses categorized by make and model.

You should also check for possible recall notices to ensure all safety guidelines are met. Enter the car's individual vehicle identification number at [www.nhtsa.gov/recalls](http://www.nhtsa.gov/recalls). It's usually found on the dashboard, but may also be inscribed in other areas. You'll find an archive of recall information dating back some 15 years and including the vast number of consumer vehicles. There is also critical information about tires, car seats and other related equipment.