



# New Car

## Buying Guide

# Should You Buy Online?

The internet has provided a whole new way to shop for new cars, but there are upsides and downsides to both purchase options.

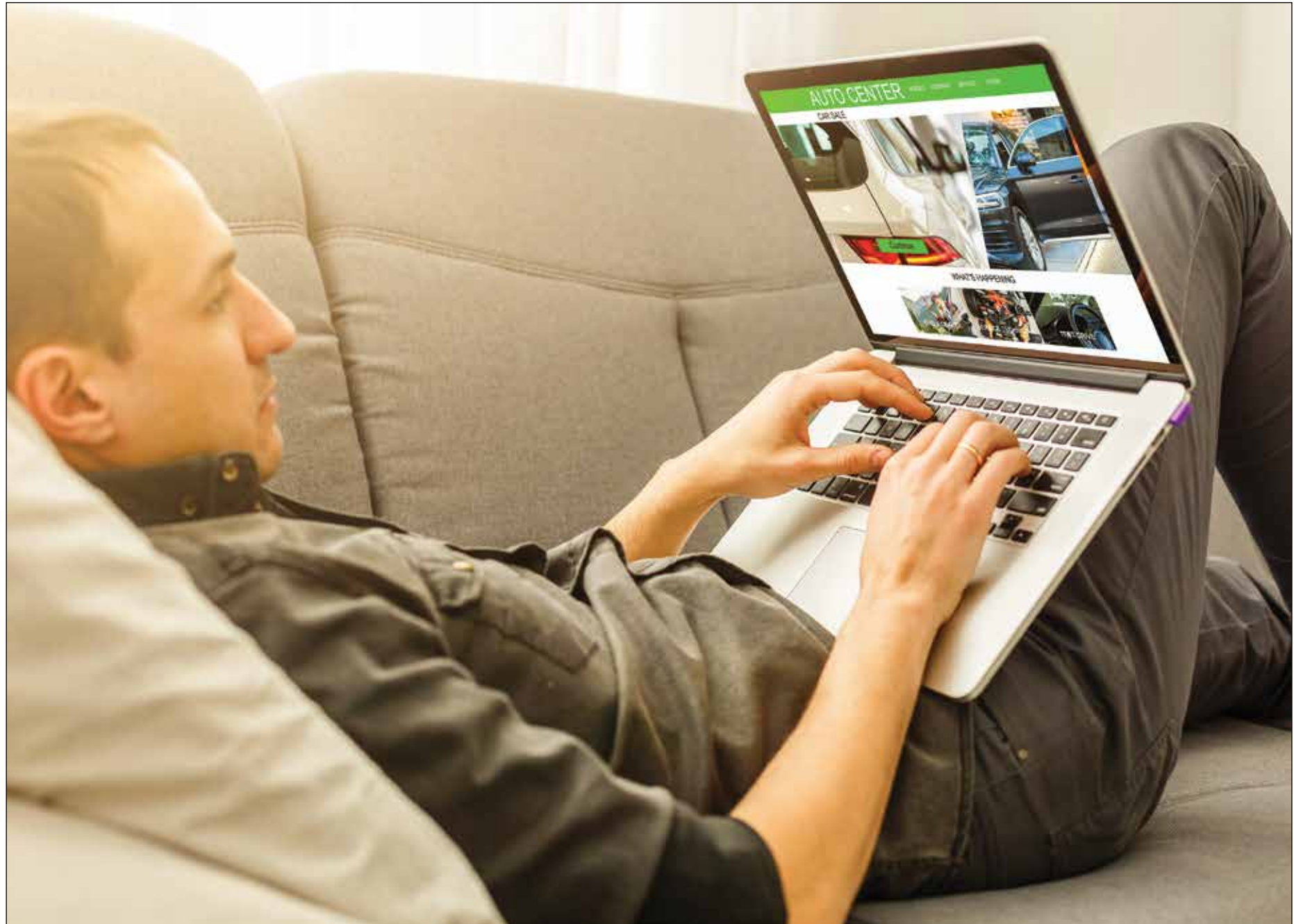
Buying from home is easy and convenient, but you don't get to test drive it. Buying at the dealership requires a sometimes-lengthy process of visiting car multiple car lots and lengthy negotiations.

Which one is right for you? Here's a look at the pros and cons:

## GROWING TREND

Annual internet car purchases have totaled hundreds of millions of dollars for many years, according to the U.S. Department of Commerce – and the pandemic supercharged those numbers. The final outcome may be the same, but the process involved is completely different.

Shoppers were able to avoid showrooms where they may have risked exposure, but buying online also limited their ability to become acquainted with the look and feel of the vehicle. Online purchases often come packaged with a return policy, but that can be a cumbersome process – and you still don't a vehicle at the end of it. Sometimes, deciding on which way to buy simply comes down to personal preference.



© ADOBE STOCK

## BUYING ONLINE

Purchasing online begins with a visit to a dealer website, where you will get in contact with a member of the sales team – typically through a live chat function at first and then through email. In some cases, phone calls are also exchanged. They'll offer an initial quote, go through the negotiation process and discuss any

additional fees. In some cases, the car is delivered right to your door. This significantly streamlines the process, and you don't have to venture out to their brick-and-mortar operation.

## IN-PERSON PURCHASES

For others, meeting in person is a must. This is a big financial investment, and so

much of the decision making with a vehicle can come down to how the car responds to your expectations in real time. Negotiations are easier to navigate in person for some people, and the accompanying paperwork can be described in verbal detail.

## UTILIZING BOTH

Many savvy customers are

actually utilizing both options in order to maximize their individual benefits.

Start by searching online for the available inventory across several dealerships, pinpointing specific vehicles of interest. Once you've narrowed things down, then head to the dealership for a test drive, to negotiate a price and sign all of the paperwork.

# Getting Financially Prepared

You'll have to take out a substantial loan, then make years of regular payments.

It's best to get your credit in its best shape for you begin looking for a new car. Start with becoming familiar with your credit report, and what it say about you. You may need to make important changes to the way you spend and save before heading to the showroom.

Then you'll need to consult with your insurance agent and banker, since new cars impact our insurance rates and pre-approval helps smooth the way for a purchase. Now you're ready to shop around:

## CREDIT SCORE

This three-digit figure has a huge impact on your ability to buy. The number takes into account how much you make and owe, giving loan officers and banks an idea of what you can potentially afford to spend. Your credit score also reflects your history of paying back debts, which helps form a larger idea about the risk in a loan of this size and length. The lower your score, the higher your interest rate. In some cases, you may not be able to buy until the number improves.

## SMART BUDGETING

You may need to pay down certain debts or build up your savings before you buy. Total



© ADOBE STOCK

transportation expenses should represent 10 percent or less of your monthly income. Leave plenty of room in the budgeting process for an estimated monthly car payment, fuel costs and insurance. If you having trouble making these numbers work, consider buy-

ing a less expensive vehicle – or wait until you're in better financial shape. Your note will go down with a larger down payment.

## INSURANCE AND THE BANK

Insurance can feel like a hid-

den cost, because what you pay monthly can change based on the make and model of car you buy. That's why it's important to discuss your plans with an agent prior to signing the paperwork. They might not be able to give you a specific quote, but a reasonable esti-

mate will help put things in perspective.

Next, talk to a loan officer or financial institution about pre-approval. This puts sellers at ease, because they know that your funding is in place – and now you know exactly what you can afford.

# What To Ask the Salesperson

There's a lot of excitement involved with buying a new car, but remember it's a sizable investment.

Approach this transaction with a set of tried-and-true questions that must be addressed before you make a final decision. If you don't, you may be left with a new car owner's worst nightmare: Buyer's remorse.

## STICKER SHOCK

Come prepared with information on the manufacturer's suggested retail price for the vehicle before you buy. If you have a clear idea about how much this new car is supposed to cost, it's easier to discuss why the one on the lot is priced differently. There may be additional costs associated with safety features, entertainment systems or certain trim levels. Ask about additional fees. After all, the MSRP isn't the final price. Have the salesman explain the exact costs for things like "dealer preparation" and "documentation." Make sure you're factoring in sales tax, as well.

## FINANCING

Discuss the benefits of using the dealership's in-house finance option. They may have a lower-interest rate option than using your own bank – but they may not. So it's important to get those num-



© ADOBE STOCK

bers nailed down. Discuss rebates and incentives with the salesman before settling on a price. These limited-time offers may include 0 percent APR or no-money down deals.

## WARRANTY

A new car will be backed by a manufacturer warranty, with additional coverage from the dealer sometimes tacked on.

There are bumper-to-bumper options, powertrain-specific warranties, and longer-range coverage plans to consider – but some of these choices come with an additional price. Be sure you understand exactly what the included warranty covers, and what it doesn't. If you're discussing add-on coverage or extended options, nail down the pricing structure.

These last-minute decisions can have a direct impact on your monthly note.

## REPAIRS

If you're going with a smaller warranty package, or if comprehensive coverage isn't available, get an estimate on what regular maintenance and general repairs are going to cost. Some manufacturers recom-

mend synthetic oils to lubricate modern engines, for instance, and they can be much more expensive than conventional options. Ask whether all work must be done in house in order to keep from voiding the limited warranty that's in place. You might be able to save cash by getting some regular maintenance done elsewhere.

# Why Down Payments Are Critical

A down payment won't necessarily keep you from buying, but they're nevertheless important.

Paying a portion of the sale price up front is a typical part of the purchasing experience, though some dealership promotions offer no-down payment options. Depending on how much you pay, this sum helps lower your monthly payment for the life of the car loan. It also can mean better interest rates, which can save the average buyer hundreds of dollars.

Lenders are more eager to sell to those with a larger amount of money on hand, since that reduces their risk, and that can open the door for a range of buying options at your local dealership:

## YOUR BENEFITS

Your chances of being approved for a loan improve with a larger initial payment, particularly if your credit is less than perfect. Larger down payments may also help you qualify for a more expensive vehicle that might not have been an option before. Either way, you'll be lowering your monthly note and your interest rate. If your initial sum is large enough, you'll more quickly build equity in the car – meaning you don't owe more than it's worth. That becomes criti-

cally important should you be involved in an accident that results in total loss.

## HOW MUCH?

Experts recommend putting down at least 20 percent of the vehicle's cost. Other factors may impact dealer requirements. For instance, the higher your score, the less you're

generally going to be asked to pay.

If you have a solid history of paying your debt, there's a lower risk associated with approving another loan. At the same time, the more expensive a vehicle is, the larger amount of cash required initially. If you're trading in a car, its value can be packaged with cash on

hand in order to bolster your down payment.

## OTHER OPTIONS

There are a few options available for those struggling to come up with a down payment.

The most common is to get a co-signer. Someone with good credit can agree to share

responsibility for repaying the loan, reducing the bank's risk. You might also get a lower interest rate. Gap insurance or new-car replacement coverage also help if you were to get into an accident.

Otherwise, you may have to choose a less-expensive option – or wait until you're more financially able to buy.



© ADOBE STOCK

# Before You Go Electric

There are critical things to consider before making the leap to electric cars.

Unlike hybrid vehicles, true electric cars are not powered in part by gasoline. Hybrids can switch to traditional fuel when needed for a boost of power – and they don't have to be manually recharged.

Electric cars save money on fuel costs, but may have a much steeper sticker price. And you'll have to find a place and the time for critical recharging:

## PROS

Obviously, you'll save on fuel – as well as some traditional fuel-engine maintenance. There are fewer moving parts, so repairs may not be required as frequently. Some new car buyers qualify for tax breaks when purchasing electric cars, and there may be related discounts from utility companies and some insurance plans. There are very specific rules associated with some programs, including the car price, your yearly income, where the car is produced, and even where the battery materials are from.

## CONS

Not everyone lives in an area where they can easily charge overnight, including those who park on the street or in parking garages. You'll also need to determine whether your community is equipped with the



© ADOBE STOCK

necessary number of charging stations, so you don't find yourself stuck on the side of the road with no power while on the way to work or running errands.

There are increasing purchase options for these next-gen vehicles, but you may find yourself on a long waiting list

because of manufacturing delays.

You'll have to similarly plan out any long trips so that you can make regularly scheduled stops to recharge. You may have to change your route to access certain fast-charge stations, or risk extending your travel time significantly. Some

electric-car owners actually keep a gas-powered vehicle for use on longer trips.

## COSTS

Fuel is sometimes as much as four times more expensive than electricity. But the price of electricity isn't set. It costs more per kilowatt hours in

Oregon, for instance, than it does in California. It may cost more when you charge at a public station than at home.

It may cost more at certain times, such as weekdays, than overnight or on the weekend. Contact your utility company to discuss these factors before deciding to buy.

# How Lemon Laws Work

There's a law in place to protect your investment in the event of manufacturer defect.

They're often dubbed "lemons." Just what that means depends on the state where you live, though there are federal protections in place, as well.

If you were hoping for something more reliable by buying a new car but ended up with an even bigger headache, look into how lemon laws can help:

## DEFINING THE TERM

Lemons are officially defined as new cars that can not be repaired after a reasonable number of attempts, according to the National Lemon Law Center. The qualified time for malfunctions may begin on the date of purchase or delivery, and last up to a year or a certain number of miles. The same issue will have to have been worked on several times without resolution by the manufacturer, an authorized dealer or other manufacturer agent.

The car typically must have been unusable for a prescribed number of business days, like 30 or more. Check local laws to determine specific intervals, coverage and what is covered in your state. Then be prepared to bring your new vehicle back to the dealership immediately if you hear an unfamiliar noise, experiencing operational problems or become aware of a recall of

any kind. There are usually fairly short time limits before coverage runs out, so don't delay.

## COMPENSATION

If you own a new car that been deemed a "lemon," you're entitled to certain compensations. That can include the full

amount you paid for the vehicle.

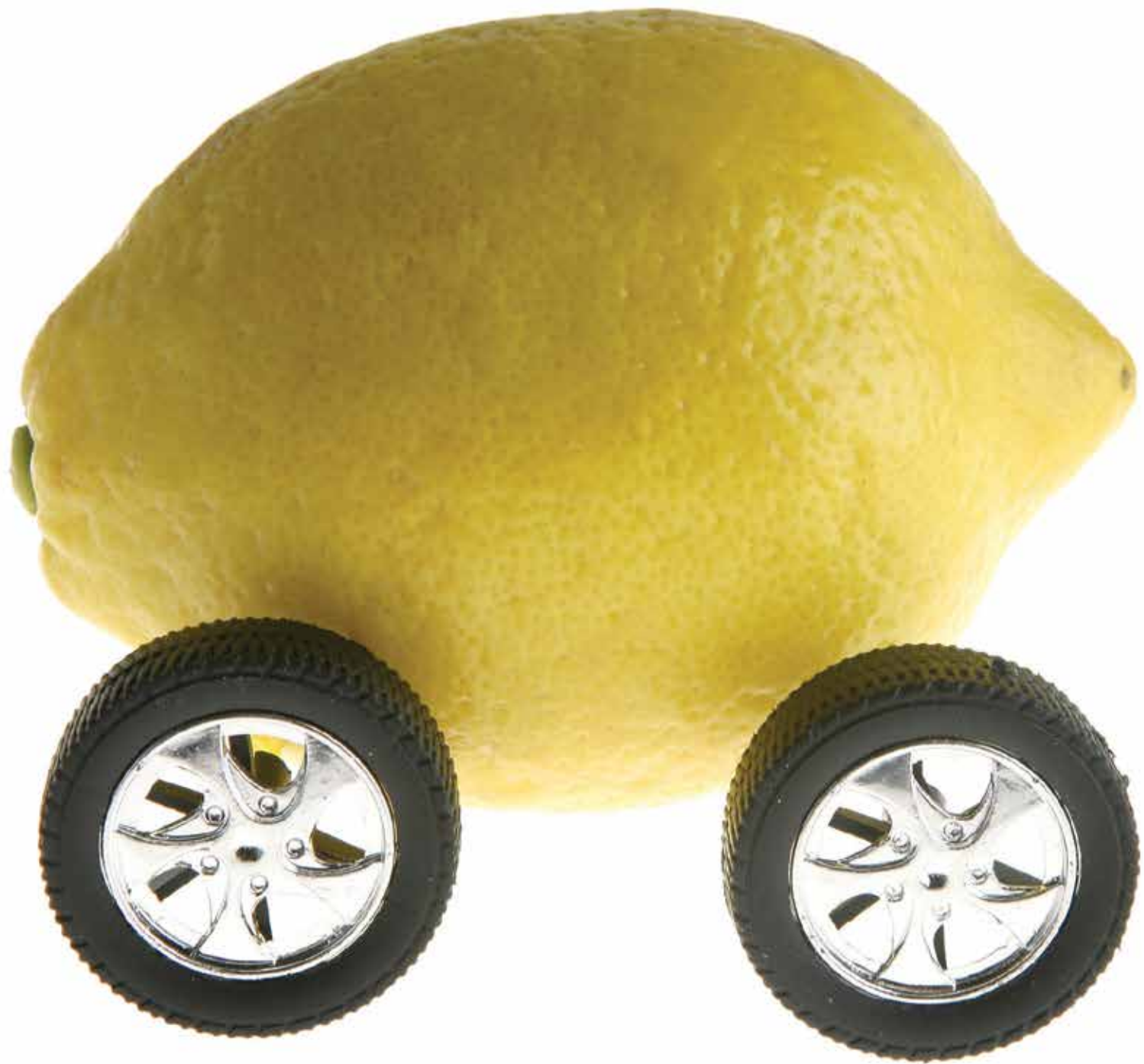
This includes taxes, title, tags and fees, according to the Center for Auto Safety, as well as repairs, towing and insurance costs.

Finance charges and interest payments may be covered, as well as rental car fees, loss-of-

use and inconvenience damages and other costs associated with securing alternative transportation.

If the manufacturer isn't responsive to repeated complaints, consider hiring an attorney who is familiar with these local laws. But remember to place blame where it

belongs – and that's not with your local dealership. They simply resell cars built by someone else. In most cases, these community staff members will stand with you in attempts to resolve this matter, since their goal is to place people in the new cars of their dreams.



© ADOBE STOCK

# Understanding Taxes and Fees

Keep a eye out for the extras at the end of the sales agreement that really add up.

As you budget for a new car, remember that fees and taxes will be tacked on to the agreed-upon price. Be prepared to discuss them in detail with the salesman so you're not caught off guard.

Every included dollar goes into the total amount you're financing, and is subject to compounded interest rates over the life of your car loan. Here's what to be on the look out for:

## DEALERSHIP FEES

One of the line items that should jump out at you when studying the fine print are dealership fees. These extra charges can quickly accrue, creating additional budget pressure. The most common fees, according to the Department of Motor Vehicles, include documentation, advertising, vehicle registration, and trade-in fees. Vehicle registration fees also cover assigning a title and the cost of license plates, saving the purchaser a trip to the DMV. The cost and even the weight of the vehicle may impact the registration fee. Some states also charge more for vehicles with lower gas efficiency and for electric cars.

Documentation fees cover the extensive paperwork involved with legally selling



© ADOBE STOCK

and purchasing a new vehicle. Trade-in fees cover the work needed to get the car ready for purchase, while advertising fees are add-on charges meant to help cover the dealership's marketing costs. Dealers fees may be negotiable. In some instances, the fees can't be

waived but you may be able to ask for other incentives to balance the ledger, including car washes or oil changes. Either way, be sure that they are not charged more than once.

## SALES TAX

How much you pay in sales

taxes when purchasing a new car depends on where you live. This information can be researched prior to visiting the dealership, but you can also discuss your particular state's tax rates with your salesman, banker or the finance department at the dealership. Many

new-car buyers take advantage of special rebate offers, but be aware that you could be responsible for paying taxes on the full cost of the vehicle before any discount was applied. This can be critically important to work out in order to avoid a surprise tax bill later.