Fundamentals of Personal Finance

Making informed financial choices

Your Vehicle Buying Road Map

Information provided by

America's Credit Unions
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Good financial decisions start with good financial information. With *Fundamentals of Personal Finance: Making Informed Financial Choices*, you have this handbook and others to help you gain the financial savvy and confidence you need for success.

This self-help series makes learning about finances easy with practical tips, step-by-step guidance, and charts. Regardless of your life stage or situation, there’s a topic to meet your needs. Ask your credit union about the following titles:

- Your Investment Choices
- Your College Savings Answers
- Your Insurance Options
- Your Retirement Guidelines & Goals
- Your Budget Blueprint
- Your Path to Home Ownership
- Your Vehicle Buying Road Map

You've made a good financial decision already by sitting down with this handbook. It's time now to turn the page to a stronger financial future.

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Your Vehicle Buying Road Map

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The first time you shop for an auto loan can be time-consuming and a little confusing. But, once you know the formula, you’ll be set to save money on car financing for life.

Here are some loan basics to get you started:

1. Evaluate your financial situation. As a first-time borrower, you can’t rely on a credit history to speak for you yet. Still, a record of paying rent and utility bills on time can help demonstrate your reliability.

2. If you have a good credit history, you have plenty of affordable borrowing options. If you made payments late or didn’t fully pay on past loans, you may be required to have a co-signer who would agree to be responsible for the loan should you fail to pay. The same goes if you haven’t borrowed before and have no credit history.

3. Compare annual percentage rates (APRs). The APR is the amount lenders charge expressed as a percentage. The lower the APR, the less you will pay in loan interest. Some lenders will give you an APR discount if you make automated payments directly from your checking account. Some will offer a lower rate if you have a down payment. Rates for borrowers with good credit ratings usually are less than those with poor credit ratings.

4. Consider buying used. The average cost of a used car is less than half of a new one. Interest rates on new cars generally are lower than on used cars, however, you may have to take out the loan for a longer term to comfortably afford the monthly payments. Buy within your means so you don’t overextend your budget and risk defaulting on the loan.

5. Look at insurance. Most lenders will require collision and comprehensive insurance on new and used vehicles. On lower-priced used cars, it actually could
be cheaper to take out a somewhat higher-cost personal loan and buy lower-priced insurance.

6. Realize the less you borrow, the more you save in loan interest. In most cases, applying a manufacturer’s rebate to reduce the amount you need to borrow will be cheaper than taking the dealer loan. Combine a rebate with your credit union’s low loan rate and you may have the best of both worlds. To calculate the advantage, see the “Rebate vs. Loan Calculator” at www.creditunion.coop.

7. Pay off the loan as quickly as you can afford to. Paying a loan off early can save hundreds of dollars in interest charges.

8. Ask your credit union to preapprove your loan. This way, you can bargain for a dealer discount based on a cash sale, and you can avoid high-pressure sales for a dealer loan.

9. Understand the loan contract. Reading through all that legalese is a chore and takes time, but it’s worth it to ensure you’re getting a fair deal. Don’t be reluctant to ask questions—a reputable lender will take the time to help you. A credit union loan officer can help you evaluate a loan agreement from another lender too.

10. Keep transactions separate. Your auto buying experience will be much smoother and you’ll get the best deal if you make purchasing the vehicle, financing the vehicle, and trading the vehicle three separate transactions. (See “Decide What Car You Can Afford,” p. 4; “Avoid the Rush—Take Your Time at the Dealership,” p. 6; and “Time Your Trade-In,” p. 8.)

“Hidden Costs” in Dealer Financing Options

dealers’ low-rate loans and rebates almost always are available only on slower-selling models. These cars may have lower resale values.

Dealer financing plans usually are limited to dealer stock. That means you may have to sacrifice the color, style, and/or options you want. Unwanted options can add 25% to 30% to the sticker price of your car.

Do you wonder how auto dealerships can offer great rates and a rebate, too? Pay attention to what they’re charging for GAP (guaranteed asset protection) insurance and mechanical repair coverage. GAP insurance covers the difference between what a consumer owes a lender and what an auto insurer will pay if a car is totaled or stolen shortly after it’s purchased—when the amount owed is still high. Mechanical repair coverage extends the dealer warranty, making the resale value of a car higher. Some credit unions offer these products, often at a substantially lower cost.
Decide What Car You Can Afford

From sweet-riding new sedans to hill-climbing SUVs, those vehicles that roll across your TV screen all sound so affordable as pitched by the auto companies. But will one of them really fit into your budget? In fact, due largely to low auto loan rates and big rebates, new cars recently have been at their most affordable level in 20 years, according to statistics from Comerica Bank in Detroit.

Careful research and budgeting will help you get the right vehicle without the one option nobody wants: onerous monthly payments.

To get to that goal, work backward. Don’t pick a car or truck and try to cram it into your budget. Instead, figure what monthly payment you can afford, and find the vehicle that fits. And think beyond monthly payments to the costs of auto insurance, gasoline, maintenance, and repairs. Then fit those car costs into your overall budget.

With your maximum monthly payment set, start making choices to hit your target. The biggest question is whether to buy new or used. Buyers often are attracted to new cars by rebates and low-rate financing. “But in an interest rate environment of rising rates, you’ll see fewer 0% financing incentives and more consumers purchasing used vehicles,” says Senior Economist Steven Rick of the Credit Union National Association (CUNA), Madison, Wis.

Whether you are buying new or used:

1. Check reliability—Nothing can torpedo a budget like unexpected repair costs. New cars will have a warranty, but you may well plan to keep your vehicle beyond the three years or 36,000 miles covered by many warranties. The annual Consumer Reports survey of mechanical problems with different models cites not only an overall rating, but specific problems as well. With used cars, reliability becomes even more important.

2. Look at continuing costs—Think about not just what it costs to buy a car but what it costs to own one. Apart from potential repair costs, insurance and gasoline costs are continuous. But with a new car, depreciation—the value it loses each year—is a major factor. Edmunds.com wraps up all these vari-
ables in a feature called “True Cost to Own.” Comparing vehicles shows that a vehicle costing less to buy now than a competitor may in fact cost more to own over a five-year period.

3. **Negotiate hard**—One sure way to cut overall costs is to reduce your purchase price. With new cars, don’t let big manufacturer rebates distract you from negotiating the purchase price. Look for the dealer cost or “invoice price”—on sites like Edmunds.com and Kelley Blue Book (kbb.com). Then aim for a selling price before any rebate of no more than 2% over the invoice price (that would be $400 more than a $20,000 invoice). Very popular cars and trucks may be an exception to this rule and be selling closer to manufacturer’s suggested retail price (MSRP).

Having to deal with financing questions at the dealership can distract you from negotiating the best price. If you arrange financing in advance at your credit union, then reduce costs by taking the rebate and negotiating hard, you really can wind up with an affordable vehicle in your driveway.

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** Longer Terms = More Interest Charges**

With the prices of high-end vehicles hitting $35,000 and up, monthly car payments are really climbing. And while the maximum loan term once was 60 months, it’s not uncommon for some financial institutions to offer 72-month loans or even longer. There is a caution: Even though taking out a longer-term loan reduces your monthly payment, it means a higher interest rate and results in higher total finance charges on a rapidly depreciating asset. This example shows different terms for a $30,000 loan.

<table>
<thead>
<tr>
<th>Term</th>
<th>Finance charge</th>
<th>Monthly payment</th>
<th>Total finance charge</th>
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Source: CUNA’s economics and statistics department, Home & Family Finance
Avoid the Rush——
Take Your Time at the Dealership

Buying a car requires you to take your time and do your homework before visiting a dealership.

One part of a car deal consumers and dealers may tend to rush through is signing the contract. Or rushing through the purchase order—a sales agreement in writing between you and the dealer that states what you’ve agreed to pay for the vehicle. Once you sign a contract or agree on a purchase order, it’s almost impossible to change it. Before you sign, ask the following questions:

What is the end price of the vehicle? The most important thing on a purchase order is what the end price is going to be. The end price is minus the trade, down payment, and all of the fees that might be on there. You have to be sure to validate all the charges that are on a purchase order because sometimes, even though it’s on a preprinted form, that doesn’t mean it’s a valid fee. Question what the fees are for. Look for destination charges, sales tax, and title fees. If you’re trading in your old car, make sure you have shopped the trade so you know what its value is. Don’t just take the dealer’s opinion of what your trade is worth.

Does the dealer require an arbitration agreement in order to buy a car from that dealership? An arbitration agreement is a written contract in which the parties agree to use arbitration, instead of the courts, to decide certain disputes. “They’re very bad for the consumer because they take away the consumer’s rights for any legal redress if they have any problems with that dealership,” according to Remar Sutton, an Atlanta-based auto consultant.

“Arbitration agreements are being forced on many consumers because [clauses are] hidden in contracts or they’re presented at the very last minute, before a person signs the paperwork to take delivery on a car. Do not buy from a dealership that requires arbitration agreements,” adds Sutton.

What will the dealership do with my
personal information? Some dealerships are asking consumers to sign an acknowledgment that the dealership has the right to sell personal information about that consumer to anyone. If a dealership asks you to sign a statement like this, don’t sign it.

**Tips for New Car Shopping**

Don’t fall for spot delivery. Spot delivery happens when the dealer says you can take the car home today and asks you to sign. You take delivery of your car that day, and four days later the dealership says it could not get you approved on those terms and asks you to pay more money down. Spot delivery gives the dealership the right to change the terms you agreed to without your permission. Never take delivery on any car unless you can sign the final contract on that car.

Get a purchase order. A purchase order is an agreement that you are going to buy this vehicle and it puts down on paper what it’s actually going to cost. If you just get a verbal agreement you have nothing.

Don’t give a deposit until the dealership has approved your offer in writing. That way you can walk out if the dealership tries to raise the offer too high.

Don’t negotiate on payments or trade-in value. Find one car you like, find out what the dealer paid for the car, then offer a small profit above that to the dealer.

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**Shopping for Cars on the Web**

Nearly two-thirds of new-car buyers do homework first on the Internet, according to research by J.D. Power and Associates, Westlake Village, Calif. Join them online to help narrow your choice, decide how you want your car equipped, and eventually find a dealer that has that vehicle. Most of all, Web research will let you know just what you should be paying to get a good deal. Looking for a used car? The Internet offers the same advantages, along with the voluminous listings of specific cars for sale.

Explore your choices—If you have a broad idea of what you want, start by clicking on a category at Edmunds.com. You’ll see all possible choices and their list prices.

Check safety records—The National Highway Traffic Administration, Washington, D.C., gives crash test results for front- and side-impact tests of up to five stars at nhtsa.gov.

Find out the real price—All automotive sites give you the list price or manufacturer’s suggested retail price (MSRP) and the dealer’s invoice price. Edmunds.com, kbb.com, Cars.com, and Carsdirect.com also will fill you in on current manufacturer rebates.

Locate that vehicle near you—Check dealers in your area to see if one has the model you want on the lot. About 70% of dealers post inventories on their Web sites. Make an offer by e-mail; you’ll save time and avoid showroom pressure.

Finance at your credit union—As with any vehicle purchase, you’ll have a leg up when you can negotiate with cash.

Search for used cars—Automotive Web sites offer a modern-day version of classified car ads in the weekend newspaper. Once you get a list of possibilities, you can click to see details and a photo of the car. Cars.com is in fact the electronic version of classifieds, affiliated with 175 newspapers across the country.
So you’re eyeing a new car. It looks a little expensive but you think you can handle it because your current car is a good, solid trade-in value.

Hold on. That may depend on when you trade it in. The combination of time of year and any new-car promotions on the same model you are driving—which then affect used-car values—can mean thousands of dollars of difference on your trade-in.

Used-car values drop more swiftly late in the year. New models have just appeared, while bad weather tends to hurt attendance and values at used-car auctions. Hitting used-car values even harder, though, are new-car incentives often offered by manufacturers, including rebates of up to $3,000. When the value of that new car is reduced by a rebate, prices for corresponding used cars take a hard hit.

Let’s say you had a two-year-old car worth about $12,000 you thought about trading in April but, for whatever reason, you waited until November. In the meantime, the manufacturer also added $1,500 to the rebate on the new version of your car or truck. The passage of time, trading at a bad season, and the effect of the rebates might cost you more than $2,000 in trade-in value.

More than half of new-car buyers trade in their old cars. Most could get up to 15% more if they sold them themselves, but trading is far more convenient.

And, in many states, trading in reduces the amount on which you pay sales tax. That is, if you bought a new $20,000 car and had a trade-in for $10,000, you would pay sales tax on only $10,000 instead of the $20,000 with no trade-in. In a state with a 6% sales tax, that’s a $600 tax savings.

Whether you plan to trade in your old car or sell it yourself, remember that every used car has its own story. New cars of the same model and equipment all carry the same asking price. But with your trade-in, how your car looks, its mechanical condition, the condition of the tires—even the color—all affect the value.

The brand of your car makes a big difference, too. Honda, Toyota, and lux-
ury brands always have held their value much better than domestic brand vehicles. Recently, rebates have magnified that differential. Honda, Toyota, and luxury makers like Mercedes and BMW have used only limited sales incentives—nothing like the multithousand dollar rebates and 0% financing so heavily advertised by General Motors Corp., Ford Motor Co., and DaimlerChrysler.

And big rebates mean big losses in used-car value. “If a manufacturer adds $1,000 in incentives, a one-year-old car of the same model loses about $850 in value,” explains Bob Kurilko, vice president of product development and marketing for auto price service Edmunds.com. That effect continues, at lower dollar amounts, on older versions of the car as well.

1. Make the seasonal factor work for you. From April through September, an average used car loses about 0.75% per month in value; in October through December that nearly doubles to 1.5% per month, says Edmunds’ Kurilko. But in January—with car buyers and automotive pros at auctions more active again—values stabilize and even may rise a bit.

So if it’s late in the year, wait until after New Year’s, when you are likely to get more for your trade. Some models are special cases. If you have a convertible in a northern state, wait for spring when the dealer wants to sell that car from the lot.

2. Get your car in top condition. Get a professional detailing job. You will more than recapture the $75 to $150 you may pay for painstaking cleaning in trade-in value. Make sure your pro is going to steam-clean under the hood as well as inside and outside the car. If your tires are in poor condition, consider getting an inexpensive set of new ones.

3. Get an advance idea of your car’s value. You at least will be able to tell if the trade-in offer from the dealer is in the right ballpark. Check Edmunds.com and Kelley Blue Book (kbb.com) for an idea of trade-in price for your car. They both have separate values for trade-in and (higher) private sale values. Both

Don’t let big manufacturer rebates distract you from negotiating the purchase price.

regionalize the values from your zip code, and Kelley Blue Book lets you put in detailed specifications on the equipment, mileage, and condition for your vehicle. Finally, remember that any valuation in person or online is only an approximation.

4. Dealing with the dealer. When you get to the dealership, try to negotiate price on a new car before talking trade-in. Otherwise, the salesperson may give you a high trade-in value and make it back in a higher price for the new car.

Your trade-in, of course, is only one factor in your decision—along with new-car price and financing. But with good timing and getting the car in shape, you can get the most out of that trade.
once you’ve narrowed your vehicle choices you’re ready for one of the most important aspects of buying a car—the test-drive.

When it comes to car shopping, you can look at Internet pictures, read reviews, and check out models that interest you at auto shows. But, until you get a test-drive, you can’t be sure if that particular car or truck is one you could live with happily for several years.

To get the most from your drive, plan ahead. Count on getting at least 20 minutes in the car and insist on a drive with varied conditions: freeway driving, stop-and-go city or suburban streets, and rough pavement or railroad tracks. Make a list of things you want to check so it’s easy to keep track of them during the drive.

When you get to the dealership, make it clear that you won’t be talking about buying today. “Tell the salesperson you are there only for a test-drive and product information,” advises Linda Goldberg of CarQ.com. Rules call for showing your driver’s license and, often, proof that you have auto insurance. But don’t give out information about your job or income. If your license or insurance card has your Social Security number on it, make a copy and black the number out. You don’t want the dealer to check your credit at this point—having too many credit inquiries can hurt your credit rating, and you want to keep your options open.

With the paperwork done, here’s what to look for before and during your drive:

1. **Check size and seating.** While still on the dealer’s lot, look at whether this vehicle will work for the people you drive and things you haul regularly. Get in and out of the backseat to see how hard or easy it is. Look at the car’s trunk or the cargo space in an SUV or van. Will it carry the luggage, groceries, or other supplies you need? Is the rear opening low enough for easy lifting into the vehicle? In a van or SUV, how easily do rear seats fold down for more hauling space?

   Sit in the driver’s seat and adjust it. Does the view out the windshield and overall visibility seem good? Reach for the radio, heating, and air conditioning controls. Do they seem easy to reach and simple to adjust without looking away from the road too long? Turn on
the radio briefly. Does the sound quality suit you?

2. Concentrate on road feel. Try to include at least two freeway ramps to make sure the car is powerful enough to merge easily, and then to pass other vehicles without straining. With the radio off, pay attention to how smoothly the automatic shift changes gears. Is it jerky, or does it seem to shift too soon? Pull off the freeway and check lower-speed driving on streets with stoplights. Take a couple of corners sharply. Does the vehicle handle the cornering without leaning or swaying too much? This can be an important quality in emergency situations.

Find a street with little traffic or a big parking lot and test the brakes—your most important safety equipment. Hit the brakes hard from about 50 mph. Do you get a fast, smooth, controlled stop without pulling to the left or right?

3. Check out comfort. You want a vehicle that not only drives well, but also rides smoothly. Does the ride on the freeway feel good enough to be comfortable for long vacation drives? Is the car quiet? With the radio off, do you hear rattles or other noise? Is the wind noise at freeway speeds bothersome? Turn on the heater or air conditioner. Does the fan noise seem reasonable? Are the air vents easy to adjust and do they seem comfortable? After you pull off the highway, how does the vehicle feel going over rough pavement or railroad tracks?

4. Wind up politely but firmly. When you get back to the dealership, ask the salesperson any questions you have and take a business card and any literature about the car. When you get back to your own car, quickly write down your impressions in a notebook or checklist. Now you have a clear basis for comparison with the other cars on your short list.

5. Adapt your routine for used cars. If you’re looking at used cars instead of new, check for the same things as with a new car under similar driving conditions. But here, watching for mechanical trouble or other faults becomes much more important.

After you drive, write down your impressions so you have a clear basis of comparison.

seller or a dealership used-car department, take a look at the tires to check for cracks or bald spots. A car with poor tires isn’t safe. Look for worn brake pedals. If a three-year-old car with supposedly 30,000 miles on it has wear on the pedals, be suspicious of the mileage. Does the engine start readily and idle smoothly? When driving, pay special attention to the transmission and brakes. Does there seem to be slipping or hesitation during automatic shifts? Do the brakes pull to either side during stopping, or make noise during hard stops? Best of all, if you’re buying from an individual seller with no warranty, pay to have a mechanic of your choice check out the car. (See “Catch the Benefits of Buying a Used Vehicle,” p. 21.)

When you’ve finished your test-drives, sit down with your notes and checklists and decide which car really suits you. Then you’re ready to check out pricing sites like Edmunds.com and Kelley Blue Book (kbb.com) for reasonable target prices so you can go back and negotiate the best possible price on that car, truck, or van.
Examine Auto Safety Devices

Cars and trucks have become a lot safer in the past decade, but some 43,000 people still die every year on U.S. highways. To be sure you and your family do not wind up among these statistics, you want the latest and best safety equipment available when you buy a new car. You ideally need both preventive and protective equipment. But unless you can afford a luxury car—where most safety gear will be standard—you’ll have to make choices about how much to spend on optional safety equipment. To offset the extra cost of new safety options, you may be able to get a discount on your insurance premiums for some of them.

Side Air Bags

Traditional front air bags don’t help much when one vehicle strikes another in the side—a type of accident responsible for 9,000 deaths a year. But the Insurance Institute for Highway Safety (IIHS)—a research organization funded by the insurance industry, based in Alexandria, Va.—found that side-impact air bags with protection for the head reduce death rates 45% for drivers whose side of the car is hit in such accidents. That number, drawn from real-world accident statistics, agrees with the Institute’s crash test results showing that small SUVs with head-cushioning side air bags protected passengers much better in simulated side-impact crashes than did competitors without side air bags.

Electronic Stability Control Systems

Rollover accidents frequently start when a vehicle slides off the road and its wheels hit a curb or ditch, setting off a tip-over motion. Electronic stability controls (ESC)—with swift, automatic, computer-guided braking of selected wheels—stop skids and help keep that car, minivan, or SUV on the road. Luxury brands from Acura to Mercedes-Benz now put ESC systems as standard equipment on all or most of their models. At less-rarified price levels, it comes as optional equipment on many models, especially sport utilities.
**Tire Pressure Monitors**

The trivial task of making sure your tires have the right air pressure can have a major impact in averting danger. Being just five pounds per square inch below recommended pressure (27 psi, say, when the car manufacturer calls for 32) greatly increases the danger of tire failure—especially during long drives at high speed. Some luxury cars—from the Chevrolet Corvette sports car to the Acura MDX sport utility—now have monitors as standard equipment that will warn you if a tire falls below safe pressure.

Other cars offer monitors as an option. The National Highway Traffic Safety Administration is revising regulations that will require all new cars to have tire pressure monitors—probably by 2007 or so.

**Antiwhiplash Headrests**

If another car hits yours from behind in even a minor accident, you can wind up with a whiplash injury to your neck and shoulders. Head restraints, often known as headrests, on the back of each seat, should help prevent whiplash. These adjustable restraints have long been required in cars, but recently a new generation of headrests goes further to prevent whiplash. Volvo and Saab—two traditional leaders in

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**Crash-Test Results Predict Safety**

Drivers of vehicles earning good ratings in the 40 mph frontal offset crash test conducted by the Insurance Institute for Highway Safety (IIHS), Arlington, Va., are much less likely to die in serious frontal crashes out on the highways, compared with drivers of vehicles rated poor, according to the IIHS.

Since 1995, the Institute has evaluated the crashworthiness of passenger vehicles based on performance in the frontal offset test. A new study relates vehicles’ crash-test ratings to real-world fatality risk. Institute researchers examined 12 years of records from the Fatality Analysis Reporting System, a federal database of all fatal crashes on U.S. roads, and identified crash-involved vehicles that had been rated in the test.

The Institute found the tests to be very good predictors of fatality risk, according to Adrian Lund, Institute chief operating officer. Consumers who factor crash-test ratings into their purchasing decisions can get more crashworthy vehicles that will do a better job of protecting them if they get in a frontal crash.
safety equipment—as well as some Toyota, Lexus, Nissan, and Infiniti models have so-called dynamic head restraint systems. These systems, sensing a crash impact, adjust the head restraint or seat back to lessen the motion of the head that produces whiplash.

The IIHS rates the effectiveness of head restraints based on their design and how close they are to the back of the head.

As happened a decade ago with antilock brakes, new safety equipment often appears on luxury cars then eventually trickles down to less-expensive models. To see which models offer what features, visit www.hwysafety.org.

To stay safe, you need both preventive and protective equipment.

Buying Auto Insurance

If you’re purchasing a vehicle you likely won’t be able to drive it off the lot without automobile insurance. Here are some steps to take when insuring your vehicle, according to Edmunds.com:

• Determine your state’s insurance requirements.
• Consider your own financial situation in relation to the required insurance and consider buying more to protect your assets.
• Review the status of your driving record—do you have any outstanding tickets or points on your driver’s license?
• Check your current coverage to find out how much in premiums you are paying.
• Get competing quotes from an Internet insurance Web site such as InsWeb.com, YouDecide.com, and InsureOne.com.
• Make follow-up phone calls to insurance companies to get additional information about coverage.
• Inquire about discounts you or your family might qualify for, such as a multiple policy discount or good student discount.
• Evaluate the reliability of the insurance company you’re considering by visiting your state insurance commissioner’s Web site.
• If you have chosen a new insurance company, remember to cancel your old policy.

For more information about auto insurance, ask your credit union about the “Fundamentals of Personal Finance” series—“Your Insurance Options.”
Dodge Auto Loan Markups

Getting the best deal for a new or used car takes preparation. You need to know how much the dealer paid for the car so you can negotiate the price. You need to know the market value of your old car if you’re considering a trade-in. And, it’s equally important to know the lowest loan interest rate you qualify for, so you don’t pay too much for financing.

In fact, Jack Gillis, public affairs director for the Consumer Federation of America (CFA) in Washington, D.C., says, “Consumers should shop for financing with the same vigor as when they shop for the car.” Fortunately your credit union can help.

Watch for Secret Dealer Markups

Many auto dealers arrange loans through finance companies owned by car manufacturers. Gillis says these dealers often secretly mark up loan rates when consumers finance purchases through the dealership.

For example, if the finance company says a consumer’s credit history qualifies for a 7% interest rate, the dealer might charge 12%. The dealer pockets most of the difference and the finance company keeps the rest.

As many as one out of four consumers financing through dealerships is affected, with a hidden markup adding $1,000, on average, to a car purchase amount. In the worst cases, loan markups add as much as $5,000 over the life of the loan. According to a CFA report, this practice costs U.S. consumers up to a billion dollars annually.
Get a Preapproved Loan

Before going to a car dealership, contact your credit union for loan preapproval, but don’t reveal the amount you’re preapproved for to the dealer until price negotiations are complete. Then you’ll enter the transaction knowing you have low-cost financing; you’ll be able to negotiate without feeling pressured to accept costly dealer financing. If you do wish to finance through the dealer, you’ll know if it’s offering a competitive rate.

Beware of 0% Financing

Some dealerships advertise 0% financing, but only a very small percentage of buyers qualify. Once buyers get in there, they pay a higher rate. Carefully review dealers’ loan papers; don’t elect a table, here or on the next page, based on the term of the loan and find the dealer interest rate along the top row. Now, find the credit union interest rate in the far-left column, and circle the amount where the column and row intersect. Then determine how many thousands of dollars you’ll need to borrow (i.e., 12.9 for $12,900, 15 for $15,000). Multiply the number of thousands by the number you circled on the table—the answer is what you’d save by using the dealer’s financing. If what you’d save is less than the dealer’s rebate—using the rebate to increase your down

### When a Rebate is Better Than a Three-Year Dealer Loan

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* Credit union loan is a better deal regardless of any dealer discount
assume you’re getting the 0% rate. Your rate may be higher and may include a hidden markup.

Even if you qualify, 0% financing may not be your best option. Low financing rates often are for shorter terms and on slow-selling models. With 0% loans, dealers usually don’t pay rebates on the car’s sale price. Contact your credit union for advice about whether it makes more sense to finance with the credit union and get the rebate, or to accept the dealer’s 0% offer. Your best bet often is to combine a cash rebate—reducing the amount you need to borrow—with your credit union’s competitive interest rate. To calculate the advantage, see the “Rebate vs. Loan Calculator” at www.creditunion.coop.

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* Credit union loan is a better deal regardless of any dealer discount

payment—you’re better off taking the rebate and financing at the credit union.

For example, look at the four-year loan table to see how it works: Assume you can get a credit union loan for 6%. The table shows that with a dealer rate of 3.9% (rounded to 4% in the example) a dealer discount of $39 per thousand financed equalizes the financing options.

In other words, if you’re going to finance $20,000, a dealer rebate (or discount you negotiate) of more than $780 (39 x 20) makes the credit union loan the best option. The dealer’s $1,500 rebate is much more than the $780 break-even rebate, so the credit union loan would be your clear choice.
When you’re itching to drive away in that new car, it may be hard to resist dealership arguments to just wrap that extended warranty cost into your monthly payments. But since some auto makers now give you an automatic new-car warranty longer than the traditional three years or 36,000 miles, an extended warranty isn’t always necessary.

A typical buyer of an extended warranty (also known as a service contract) pays about $1,000 but only collects on some $250 in repairs over the life of the contract, according to Checkbook magazine, a consumer publication that also operates Car Bargains car-buying service.

Extended warranties should be especially easy to resist if you are buying a car with a long new-car warranty.

But you may be among those who find the reassurance of an extended warranty worth the price. Not everyone is readily able to pay for repairs. And many of the biggest-volume car makers still give you only the long-time industry standard warranty of three years or 36,000 miles for all components on all but a few of their cars.

If you are a buy-and-hold car owner and expect to have a shorter-warranty vehicle in the driveway for six or seven years, you may be a better candidate for an extended service contract. If that’s your profile, here’s some advice on getting the best possible deal:

You don’t have to buy right away— Despite pressure to buy now from the dealer, you usually have up to 12 months to buy an extended warranty on a new car. And because the extended warranty coverage begins when you buy the contract—not when you buy the car—you get, in effect, an extra year of coverage that way.

Other extended warranties are available for used cars. However, if you are buying a used car through a dealer, consider instead “certified” models that carry a new factory warranty—usually for one year and 12,000 miles. (See “Find Peace Of Mind: Certified Used Vehicles,” p. 24.)

Consider mechanical breakdown insurance (MBI)—Sold by insurance agents and some credit unions, these
contracts—often $500 or less for new-car coverage up to six years or 100,000 miles—cost about half what a dealer will charge you for a typical extended warranty. And MBI usually lets you go to the repair shop of your choice; dealers’ sold warranties limit repairs to dealers of that brand and sometimes even the specific dealership where you bought it.

See who is behind the contract—Wherever you buy it, see what financial company backs your extended warranty. Though you may be overpaying for it, you can feel secure about a manufacturer’s contract from, say, Ford Motor Credit or Toyota Motor Credit. If the contract is backed by an insurance company, look for at least an AA rating from Standard & Poor’s (www.standardandpoors.com).

Know what is NOT covered in your contract—Like regular new-car warranties, most extended service contracts exclude recurring maintenance items such as brake parts and oil and air filters. Additionally, some potentially expensive repairs like power windows and seats sometimes are excluded. Make sure you know in advance what is covered.

Check the deductible—Policies often require a deductible of $100 before coverage starts. This seems reasonable because you are trying to protect yourself against big bills. But higher deductibles should make you think twice.

Make sure you can transfer the contract—If you want to sell your vehicle later as a used car, an extended warranty that goes with it will enhance its value. Avoid nontransferable contracts.

Find out how repairs are paid for—Some insurance or financial companies will pay repair shops directly. With others, you pay up front and then collect from the service-contract company—often a slow process. A factory-sponsored warranty that lets you go to any dealer of that brand is likeliest to pay the bill directly.

Remember, you can negotiate the price—You negotiated hard to get the best price on your new car. You can do the same on the extended warranty. The “closer”—the dealership financing specialist—will make it sound like a fixed price, but there is always room to haggle.

But best of all, just say no—If you think you can handle repairs financially, play the odds that you never will recoup what you spend on that extended warranty.

It’s hard to disagree with Consumers Union, publisher of Consumer Reports magazine, when it advises that the best protection is to buy a car with a strong record of reliability. Look for a reliability rating for most cars annually in the April issue of Consumer Reports, consumerreports.org.

Then prepare for repairs by building up your credit union savings account.
Different Engines, Higher Mileage: Gas-Electric Hybrids Go the Distance

Since the earliest Model T Ford, engines using gasoline have turned the wheels of America’s cars. But now there is an alternative.

Hybrids can boost your mileage by 30% or more over comparable gas-only vehicles—with some models hitting 50 miles per gallon.

Inevitably, high gasoline prices have put additional focus on already popular, high-mileage hybrid cars that combine both a gasoline and an electric engine. Initially, hybrids came only as small sedans. But now, hybrids are moving into SUVs with Ford’s Escape the first to market; it is rated for 36 mpg in city driving.

Note, though, that Edmunds.com reports that gas would have to top $5.60 a gallon or you would have to drive more than 37,000 miles a year for the hybrid to be more cost-effective than a regular Escape.

Toyota—the biggest maker of hybrids—has introduced two hybrid SUVs: The Toyota Highlander is rated for 30 mpg in the city; and from its luxury Lexus division, Toyota is bringing out the hybrid RX440h. Lexus boasts that the RX440h not only is rated at 30 mpg in the city but also accelerates faster than its all-gasoline siblings.

For many people who buy hybrids, it is not just about saving money at the gas pump. It’s also nice to know that you may be doing a little to help save the planet from greenhouse emissions. “People are paying an average of about $3,000 more for hybrids over the gasoline version of the same vehicle,” says David Healey, auto industry analyst for Burnham Securities, New York. “But they don’t mind because they get that nice warm environmental feeling.”

Photo credit — Toyota Motor Sales, U.S.A., Inc.
Catch the Benefits of Buying a Used Vehicle

In 2006, some 44 million used cars were sold compared with 17 million new cars. The main reason so many more used cars are being sold? The price tag. In 2006, the average price of a used car was about $13,900, while the average price of a new car was around $27,800. Even with the chance of increased repairs and maintenance costs on a used car, you could spend less per year than on new car payments.

Plus, by buying used you may get “more” car for less money. Another reason so many people are buying used cars is the rapid depreciation of new ones. A used vehicle loses less value than a new car when it’s driven off the dealer lot. In the first year of a new car’s life, it loses 20% to 30% of its value. A car’s first owner takes the largest depreciation hit. (Check out “See What Vehicle Depreciation Costs” p. 26.)

The Downside of Buying Used
While buying a used car can save you money, be aware of some downsides. Many people won’t buy a used car because they’re afraid of buying someone else’s problems.

Unlike the possible repair troubles with used cars, most new cars are likely to be trouble-free for at least a few, if not several, years.

While more and more new cars are coming out with longer warranties that often transfer to the used-car owner, the warranties still will be limited or possibly not exist at all. With many used-car purchases you have the choice of buying extended warranties, but do your homework before buying one. (See “Take a Hard Look at Extended Warranties, p. 18.)

Depending on how many owners a used car has had, there also is the possibility of not having any or limited maintenance records. Insist on seeing the title and make sure it jibes with what you were told.

The following tips may help:
Narrow your search to three vehicle types and brands.
Do your homework and research the retail price of those vehicles before
shopping by using Web sites such as Kelley Blue Book, kbb.com. Do your homework in Consumer Reports or other places to find reliable models; look at blue book prices so you can spot a good deal; and search sources such as classified ads, bulletin boards, and the Internet.

Arrange financing before you shop and consider what car payment would comfortably fit into your monthly budget.

Talk with a representative from your credit union for help.

Use the phone to ask questions before a test-drive. This will help eliminate some sellers and cars without wasting too much time. Some questions you should ask: Why are you selling the vehicle? What is the mileage, and why is it low or high? What are its features? How many owners has the vehicle had? Was it ever in an accident? Do you have

10 Ways You Burn Money on Your Car

Even in the glare of a new-car exhibition, clear-eyed auto buffs can see how people squander money on what they drive. Enthusiasts at the Greater Milwaukee Auto Show say consumers sometimes pay extra for their ignorance, their arrogance, and their laziness when it comes to cars.

With the cost of buying a new car averaging more than $27,000, it’s easy to overlook the costs of driving one. There’s no limit to how much you can spend on a car. Likewise, there are no limits on how you can waste money on a car. For starters, here’s a list of 10.

1. Not knowing yourself

Think hard about why you need a vehicle. How you use it and how long you intend to keep it will make a difference on which car or truck to own and whether to buy an extended service agreement. The difference in gas costs between a 30-mile-per-gallon economy car and a 20-mile-per-gallon pickup is $562 a year, based on 15,000 miles and $2.25 per gallon.

2. Not knowing your car

Read through your vehicle’s owner manual and warranty information to learn about your rights as a customer and the manufacturer’s maintenance recommendations. Get familiar with

your car by washing it yourself and checking the oil level and tire pressure. Build a working knowledge of cars: Read automotive advice columns and ask lots of questions of mechanics and auto-savvy friends.

3. Not paying attention

Your car’s gas gauge lets you know when you’re low on fuel. But there are other less obvious signs that your vehicle needs attention, such as drips in your driveway, subtle smells, and squeals and rattles. Be alert and you can tend to petty problems before they become troublesome and expensive.

4. Not keeping tabs

Have a notebook and pen in your glove compartment. When you sense trouble, jot down the symptoms, including date and mileage. Keep a log of service visits and repairs. Collect receipts in a file folder. Records can
service records?

**Take the car for a test-drive and always do a visual evaluation in daylight.** During the test-drive, pay attention to such things as road noise; how the car handles; the brakes—firm, spongy, or pulling to one side during hard braking; comfortable seating; and headroom. (See “Make the Most of Your Test-Drive,” p. 10)

**Have an independent professional mechanic inspect the car**—it's well worth the $100 or so that it will cost for the inspection.

**Take a friend with you when you go car shopping** and make sure both of you are willing to walk away from a deal that is not going the way you would like.

**Have a back-up vehicle.** If your first car falls through (bad test-drive or during price negotiations), have your second car already test-driven and negotiations almost complete so you won’t feel pressured into a deal on your first choice.

help diagnose car problems, support warranty claims, document expenses, and verify your vehicle’s value when you want to sell it.

5. **Not being careful**

Speeding, jackrabbit acceleration, and hard stops can waste up to 49 cents per gallon of your fuel efficiency, according to the U.S. Environmental Protection Agency. Aggressive driving also strains your tires. Sensible driving can save you from speeding tickets and parking fines. Reckless, inattentive, and drunken driving can lead to costly damages, injuries, and insurance.

6. **Not shopping**

For everything from the car you buy to the gas you put in it, it pays to look around for the best deal—which isn’t always just the cheapest. Use your personal networks as well as the Internet to help you shop for insurance, mechanics, and more.

7. **Not seeking help**

At the top of your shopping list should be a reliable service shop. Dealerships tend to cost more but offer a relationship through which you can manage your next trade-up. Independent garages are more motivated to keep your car running than selling you a new one. Wherever you choose, recognize that regular maintenance pays off. A well-maintained car can save up to 60 cents per gallon in fuel costs. Clean air filters alone can add 10% to fuel efficiency.

8. **Not thinking for yourself**

Find a trustworthy mechanic, but don’t blindly follow advice without raising questions or seeking second opinions. Weigh your intentions for your vehicle against the sometimes conflicting maintenance schedules advised by your owner’s manual and your repair shop. Balance getting enough service with not getting too much.

9. **Not following directions**

At the same time, don’t think you can outsmart the experts by chasing after gimmicks that promise to enhance your vehicle’s performance or boost its fuel efficiency. Don’t buy expensive premium gasoline unless advised by your owner’s manual or mechanic.

10. **Not being resourceful**

To lower operating costs and make your car last longer, leave it at home. Walk when you can. Share rides with others. Use public transportation. Plan errands to schedule a number of stops in one trip rather than driving off every time you need a gallon of milk.
Find Peace of Mind: Certified Used Vehicles

If you’re too thrifty to buy a new car and are too timid to trust one that’s used, now there’s a third option: certified pre-owned vehicles. They can offer the best of both worlds—the lower cost of a used car with the peace of mind of factory-backed warranties.

Here’s how it works: Factory-trained technicians thoroughly inspect and recondition a slightly used vehicle to meet manufacturer specifications. When the vehicle is up to snuff, it’s certified as an automobile worthy of many of the same assurances that auto makers put on new cars, with manufacturer warranties lasting anywhere from three months to seven years.

As a result, a dealer can tag another $500 to $3,000 on the price of a qualified used car, but the buyer can breathe easier knowing that the vehicle—though not new—is reliable enough that the original manufacturer stands behind it.

Price of Peace

About 1.5 million certified used cars were sold in 2006 according to Automotive News. That’s barely a dent in the 17 million new and 44 million used cars sold that year, but it’s a fast-growing alternative.

Dealers like it because they can charge a premium for well-kept refurbished cars. Consumers get greater assurance that they’re not stuck driving someone else’s problem vehicle. Car makers protect themselves with a rigorous selection process before allowing a used car to be certified.

Car Makers’ Stamp of Approval

Certification programs vary by manufacturer, but they all limit the mileage and age of cars eligible to be certified. Most are less than five years old with fewer than 60,000 miles. Typically, they’re well-maintained and accident-free. Inspections cover between 100 and 300 items inside the car and out.

But just because a used car is certified doesn’t mean the buyer should relax the healthy skepticism that ought to govern a big-ticket purchase. Among
the precautions you should take in pursuing a certified used car:

Assess your needs. Consider such factors as how you’ll use the vehicle, how many miles you’re likely to drive in a year, and how long you’d like to keep it.

Shop. Compare reliable used models that best suit your needs. Learn how much they cost without certification through classified ads or Web sites such as kbb.com, Edmunds.com, and AutoTrader.com.

Compare programs. Once you’ve narrowed the choices, use the Web sites above to compare manufacturers’ certified pre-owned plans. Go to kbb.com, click on Used Car Values, Certified Pre-Owned, then Compare Programs. Find the fullest protection for the longest period. Not all of them are created equal.

And even when something is certified, understand that there’s quite a variation from one manufacturer to the next as to what that means and how much value that offers to the consumer.

Get details. Be clear what’s covered by the warranty—both what remains of the original new-car service and any extension from the certification. Compare the mileage limits on the warranty with the odometer reading.

Ask the dealer for the car’s inspection report as well as its maintenance and repair history. Match the vehicle identification number (VIN) on the reports to the vehicle you’re considering.

Do you have to return to the same dealer for repairs? What about out-of-town emergencies? If there’s a deductible, make sure it does not exceed $100 per visit. What’s the return policy?

Test-drive it. (See “Make the Most of Your Test-Drive,” p. 10.) Get a second opinion. Taking a used car to a mechanic of your own choosing and getting it evaluated is a good thing.

Haggle. Negotiate the price. Let the dealer know you’ve been shopping and that you’re aware of your options elsewhere.

Don’t confuse a manufacturer’s certified program with a dealer’s effort to sell a third-party extended service agreement (see “Take a Hard Look at

Just because a used car is certified doesn’t mean you should relax the healthy skepticism that ought to govern a big-ticket purchase.

Extended Warranties, p. 18). And remember that these are supposed to be top-choice vehicles. Steer clear of used-car lots where every auto is labeled “certified.”
See What Vehicle Depreciation Costs

You’re excited about the vehicle you’re purchasing, but fix in your mind the purchase price of the new car you recently bought, or are considering buying. Now think about paying a fee equal to one-fifth of that purchase price during the first year you own the car.

It’s not for insurance, or loan interest, or maintenance. It’s for depreciation, the invisible cost of vehicle ownership. You never receive a bill for it, never write out a check. Still, depreciation costs you big money over the years. You just don’t notice it until the time comes to sell your car.

In the first year you own it, your vehicle may lose 20% of its original value due to depreciation, according to IntelliChoice, based in Campbell, Calif., which provides consumers with data about the true cost of owning cars and trucks. By the end of the fifth year, your vehicle’s value drops by an average of 35.1%.

But it’s not only vehicle buyers who take a hit. Depreciation affects the cost of leasing as well, because leasing payments are based in part on what a vehicle will be worth at lease-end. The more a vehicle depreciates, the less it will be worth when your lease is over, and the higher your monthly leasing payments will be. (See “Learn Facts About Leasing,” p. 28.)

You can’t stop depreciation. It’s simply a fact of life for those who choose to own or lease a vehicle. But you can lessen the impact depreciation will have on your wallet. Here are a few points to consider:

Some makes and models depreciate faster than others. Accurately predicting depreciation is difficult because so much depends on a vehicle’s continuing popular appeal. But you can get a rough idea how much your vehicle will depreciate. Consult a blue book or other pricing guides to find out how well previous years’ models have held their value.

The pace of depreciation levels off after five years. Hanging on to a vehicle for at least that long minimizes the impact of depreciation on the overall cost of ownership.

It’s smart to pick options that will
appeal to the next buyer. Vehicles with air conditioning, automatic transmissions, sunroofs, and convertible tops tend to hold their resale value better. Lesser known models, “luxury” or “limited edition” models, and vehicles with odd colors or features tend to depreciate faster.

Vehicles that change dramatically in style from one year to the next tend to lose resale value faster. Last year’s model quickly becomes outdated and loses its attraction to potential buyers. Choose a vehicle from a manufacturer that makes only subtle style changes each year.

Depreciation can deal a substantial financial blow to the owner of a new vehicle. But it can work to your advantage if you’re in the market to buy or lease a used vehicle. A vehicle model that depreciates considerably in its early years may be an excellent deal as a used car.

For more information, visit CarPrice.com and use its depreciation calculator to check out how well the vehicle you’re interested in holds its value.
Learn Facts About Leasing

If you can’t afford the monthly payment of the new car you want, leasing might be the perfect option.

The question of whether to buy or lease a car can hinge more on how you’ll use the vehicle than on what the monthly cost will be.

That’s not to say the money doesn’t matter. With the average price for a new car around $27,000, fewer people can afford to pay cash for a new set of wheels. That makes financing—either through an auto loan or a lease—more likely.

In a lease, you pay to use a car for a certain period of time. Essentially, you cover the difference between the “capitalized cost” of what the vehicle sells for now and the “residual value” of what the car is expected to be worth at the end of the lease. Plus, you pay a rent charge.

Leasing typically lets you drive more car for less. On a monthly basis, leasing can be cheaper than buying a new car.

Lease or Buy?
The best candidates for leasing are motorists who, every three years or so, want to drive a new car that’s more expensive than what they can afford to buy. Leasing generally suits those who drive less than the annual limit of 12,000 miles to 15,000 miles that’s in most lease agreements. It also fits drivers who take care of their vehicles and who use their cars for business, in which case they might qualify for tax deductions.

If you want to own your car and drive it as long and as far as you please, not be restricted in what you do with it, and be able to sell it or trade it later, then leasing isn’t up your alley.

Leasing Tips
If you’re leaning toward leasing, you also need to be prepared for a somewhat more involved process than what you may be accustomed to when you buy a car. What to watch out for:

- **Car price**—Negotiate the price just as you would if you were buying. In
fact, don’t let on that you’re leasing until you’ve got the car price you want. Learn what prices to expect through Internet resources such as Edmunds.com and autosite.com. Use that “capitalized cost” as a starting point when comparing lease deals.

• **Down payment**—More dealers are seeking down payments on leases. That brings down the monthly lease payments, but it also dilutes a prime advantage of leasing—minimal money down. Keep in mind that down payments are not refundable should you need to leave the lease early.

• **Trade-in**—If you’re trading in a vehicle, make sure the lease shows where that value has been applied to your lease. Check out how much your trade-in is worth in advance at sites such as Kelley Blue Book (kbb.com) and Autopedia (Autopedia.com).

• **Money factor**—Also called a lease factor or even a lease fee, this is the interest rate you are being charged. It is expressed as a multiplier you can use to calculate your monthly payments. To convert a money factor to an interest rate, multiply by 2,400. To convert an interest rate to a money factor, divide by 2,400. (Always use 2,400 regardless of the length of the loan.)

• **Wear and tear**—Be clear on what’s considered “normal” wear and tear on the vehicle and what’s “excess,” for which you’ll pay extra at the end of the lease. Those terms aren’t always defined the same. Ask about it and get it in writing.

• **Warranty**—Don’t let the lease outlast the vehicle’s basic warranty or you may be paying major repair bills on a car or truck that you don’t even own.

• **Extra miles**—Mileage in excess of the lease agreement typically costs you between about 10 cents and a quarter per mile. If you anticipate driving more than 15,000 miles a year, it usually is cheaper to pay up front to extend the limits. If you anticipate driving less than the limits, ask to lower them for a discount or to be refunded for unused miles.

• **Records**—If you don’t get copies of all the documents you sign, ask for them. You may need them if complications occur down the road.

• **Insurance**—Notice whether you’re required to increase your insurance coverage. Also, check whether the lease includes “gap” coverage that protects you if the vehicle is stolen or wrecked. (See “‘Hidden Costs’ in Dealer Financing Options,” p. 3.)

• **End costs**—Take note of all the expenses involved in returning the car, particularly if you decide to leave the agreement early. For instance, there’s usually a “disposition fee” for picking up the vehicle and processing it so it can be sold to someone else.
Useful Resources

Web sites

Kelley Blue Book
kbb.com

Edmunds.com

autosite.com

The Automotive Encyclopedia
autopedia.com

Consumer Reports Magazine
consumerreports.org

Insurance Institute for Highway Safety
www.ihs.org

NADA Guides (National Automobile Dealers Association) Vehicle Pricing and Information
nadaguides.com

United States Department of Energy
fueleconomy.gov

Federal Trade Commission
ftc.gov

Be Car Care Aware
carcare.org

IRS Publication 463—Travel, Entertainment, Gift, and Car Expenses

National Highway Traffic Safety Administration
www.nhtsa.dot.gov

U.S. Environmental Protection Agency
epa.gov

Lemon Law Information
carlemon.com
lemon-law-info.com

Calculators

Credit Union National Association’s auto buying calculators
www.creditunion.coop
(Click on “financial calculators”)

Books


Be Prepared for Emergencies

If you travel with the right supplies in your vehicle, and if you know what to do in case of an accident, you’ll handle unexpected emergencies more quickly and calmly. This tear-out fact sheet can help you prepare.

What to keep in your car

In your glove compartment, keep:
- Pad of paper and pen
- Cell phone and extra batteries
- Disposable camera with flash (to photograph accident scenes)
- Flashlight with batteries
- Auto insurance cards
- Auto registration
- Emergency phone list, including: your insurance agent, towing company, neighbors and relatives, and children’s day care providers
- Medical information card listing allergies or other conditions requiring special attention
- Fill-in-the-blanks accident information form (see p. 32)
- Maps

In the trunk, keep:
- Cones, warning triangles, or emergency flares with matches
- Jumper cables
- Jack/spare tire
- Fire extinguisher
- First-aid supplies (include over-the-counter and prescription medications for longer trips)
- Bottled water/snacks
- Blankets
- In winter, add an ice scraper, gloves, and a warm jacket.

What to Do in Case of an Accident

Safety
- Move cars out of traffic, if possible.
- If vehicles can’t be moved, after collecting accident information, remain inside with seatbelts fastened until law enforcement arrives.
- Turn on hazard lights.
- Set out flares or reflectors.
- Call police; request paramedics if necessary.
- Provide reasonable assistance to anyone injured. Do not move anyone with serious injuries.

Information exchange
- Photograph the accident, including vehicles’ positions and all damage to occupants, vehicles, or property.
- Use the “Auto Accident Checklist” on reverse side of this sheet to record information about the accident, the other driver and passengers, witnesses, and police officers responding.
- Show your driver’s license, auto registration, and insurance company/policy number to the other driver and police officers.
- Don’t discuss the financial limits of your policy.
- Don’t tell the other driver or police the accident was your fault, even if you think it was.
- Police may not respond to accidents without injuries. If they don’t, file an accident report. These are available at police stations, and often at the state Department of Motor Vehicles Web site. This can speed up the insurance claims process.
- Contact your insurance carrier to file a claim.
Auto Accident Checklist

Date: ____________________________  Time: ____________________________
Location (street/city): ________________________________________________
Weather conditions: ________________________________________________

Other vehicle
License plate: ______________________________________________________
Vehicle ID: _______________________________________________________
Make/model/color/year: ________________________________

Driver’s name/address/phone: _______________________________________
Driver’s license number/state/expiration: _______________________________
Insurance company: ____________________________  Policy number: __________
Registered owner of vehicle: _________________________________________
Other passengers
(Name/address/phone/location in car): ________________________________

Police
Responding department: ______________________________________________

Witnesses _________________________________________________________
Name/address/phone/location during accident: _________________________

Description of accident
How accident happened: _____________________________________________

Type and location of damage to your car: _______________________________
Type and location of damage to other vehicle or property: ________________
Diagram of accident scene ___________________________________________