

car buying

Buying a car

This is not a discussion on leasing we will address that later. **Auto depreciation** - almost all things with motors and/or wheels lose value over time. Average loss of value on a new car is 20% in the first year of ownership (purchase price of \$40,000 in May 2020 = resale value of \$32,000 in May of 2021). **Depreciation** of 10% annually after the first year on average. Industry average after 5 years is a **depreciation of 60%** (\$40,000 new car purchased in May 2020 = **resale value of \$16,000 in May of 2025**). There is no such thing as a good deal on a new car, cars should never be viewed as an investment (unless you are purchasing rare or antique vehicles), if you want to invest your money go back and **review the chapter on investing**. After year 5, depreciation **rates slow dramatically down** to about 3% per year. If you want to drive the "most car for your money" you should purchase your vehicles about two to three years of age and keep them for several years. Eventually you would want to repeat this process because on average as cars age they require repair costs.

Who should never consider a lease?

- You want to be out of debt or pay off debts
- You like the idea of ownership
- You put lots of miles on cars (my commute from Ft. Lauderdale to Weston, I'm out) because the industry average for going over preset mileage is 20 to 30 cents per mile depending on model of car (this penalty can be costly)
- You like to customize your cars

LEASING A CAR

In almost every case the leasing of a car is the worst financial option. The popularity of leasing has increased for one reason, it allows many people to drive more vehicle than they can afford to buy. People who lease over their lifetimes will pay far more to drive cars than people who buy and hold vehicles for several years. If you are considering a lease? **keep in mind** the following:

- Only possible financial benefit is if your other option
- You seek the latest safety features
- You properly maintain your cars
- Are generally willing to pay much more to drive your vehicles



shutterstock.com • 674108425

DO's and don't's of new car buying

- **do your homework**: the amount of online information is enormous. Sites such as Kelly blue book, Edmunds, and car and Driver have done research on just about every make and model that is on the road.
- **do get the deal in writing**
- **do "buy" the vehicle**, do not allow the car dealership to "sell you a car." This is a mindset more than anything. It reminds you to stay in control of your emotions. You must acknowledge that buying a car has an emotional component. One way to offset this is to bring along someone else you trust that has no attachment to the purchase.
- **DO NOT start with the monthly payment**. Car salespeople will make the price "fit" your number.
- **Survey of over 10,000 millionaires** finds that wealthy people typically ask "how much is the car" others tend to ask "how much per month" follow the habits of the wealthy).
- **DO NOT blindly accept added services** such as extended warranties (there are usually offered on tires, rust, protection, extended parts protection etc.)
- **do not discuss a trade-in vehicle** until the purchase price on the next car has been set in writing.



