



# AmericaSaves on Car Purchases

*Cars and other motor vehicles can give Americans access to a wider range of jobs, stores, and housing. Being able to travel by car can help people earn more, spend less, and get better value in their housing.*

*Cars, however, are relatively expensive to purchase and maintain. American households spend, on average, more than \$7,000 dollars on car purchases and maintenance each year.*

*Individuals can reduce this transportation expense by making wise purchase decisions. They face four key general decisions: Should I buy a car? What vehicle should I buy? How should I make the purchase? How should I finance the purchase?*

## Whether to Buy

**Mass Transit/Rental Alternatives:** Before buying a car, especially a second vehicle, consider whether alternative transport makes sense. Particularly in cities, these alternatives could include mass transit, cabs, and rental cars, or a combination of the three. Most important, estimate the cost of a car and the cost of any alternative. Then ask yourself the question, is the convenience of car ownership worth the price?

**Leasing Option:** If you decide you want to always have a car available, consider leasing as an alternative to ownership. One reason that so many cars are leased is that monthly lease payments are often lower than monthly car payments. But remember that, at the end of the lease period, you won't own the car. And buying it at the end of a lease may cost you more in total than purchasing it at the outset.

For more information about leasing, see *Keys to Vehicle Leasing: A Consumer Guide*, which is published by the Federal Reserve Board and Federal Trade Commission.

## What to Buy

Cars vary widely in cost. Annual household spending on automotive transportation ranges from hundreds of dollars to tens of thousands of dollars. The exact cost to you depends on factors such as the type of car; its age, mileage, and condition; how you finance, insure, and service it; and how many cars you own and how far you drive them.

**Which Car Model:** First, think about the types of models that meet your transportation needs and are affordable. Then search the Internet and objective publications, such as *Consumer Reports* and *The Car Book*, for information about the features, performance, durability, and costs of the models that interest you. Finally, look over and test drive any of these models.

**New or Used:** In deciding whether to purchase a new or used car, make certain to estimate the difference in total costs, not just purchase price, but also depreciation, gas mileage, insurance premiums, finance charges, and likely costs of maintenance and repair. And, remember that new cars almost always are more reliable and have superior warranties to used cars but lose 20 to 40 percent of their value when driven off the lot.

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America Saves is a national campaign that seeks to persuade and assist Americans to save and build wealth more effectively. Initiated by the non-profit Consumer Federation of America, the campaign involves hundreds of non-profit, government, and business organizations.



## How to Buy

**New Cars:** At car dealers, the price of the cars and their optional features are almost always negotiable. In fact, most buyers do not pay the manufacturer's suggested list price (or sticker price). Here's how to get the best price:

- Before negotiating, learn the manufacturer's wholesale price to the dealer, which will be somewhat less than the sticker price. This wholesale price can be found on the Internet or purchased from services such as *Consumer Reports*.
- Negotiate price over the phone with several dealers. Because it is easier for you to end a phone conversation than walk out of a dealership, you are likely to get a better price. If the dealer won't talk price with you over the phone, call another dealer.
- If reluctant to negotiate, consider seeking assistance from a car buying service. One nonprofit consumer group maintains a popular service, CarBargains, in which several dealers bid for your sale.

**Used Cars:** Purchasing a used car is risky in that you often cannot be certain of the condition of the car. Here's a purchase strategy:

- Check the Bluebook price to learn what used cars in a certain condition usually sell for. Bluebook prices can usually be found in a library reference book or on the Internet.
- Keep in mind that there are few effective used car warranties. Most cars are sold "as is," and most of the rest carry a 50-50 warranty that obligates you to pay a portion of the repair costs.

- Try to find a mechanic who is willing to check the car before you purchase it. And, see if the seller will make the sale conditional on the car passing inspection.
- Consider purchasing from family or friends who are more likely than dealers to tell you what they know about the condition of the car and not overcharge you.

## How to Finance

### Shop for a loan before buying a car.

- Decide the amount to be borrowed and the number of monthly payments. Remember that, in general, the greater your down payment (and lower the amount borrowed), the lower your loan rate. Also remember that the shorter the loan term, the less interest you will pay. For assistance saving for a larger down payment, see the last section of this brochure.
- Shop around, using the Internet or Yellow Pages, for the least expensive loans. Regardless, make certain to call your bank or credit union for a rate quote before talking to a dealer about financing.

- If all lenders quote you a rate above the typical one, you are considered an above-average credit risk. If your credit report and related scores are accurate, then you should consider delaying the car purchase until you have successfully raised your credit score.

### If you still want the dealer to finance your car, negotiate.

- The dealer may quote you a rate above the rate reflecting your credit risk (the "buy rate"). If this rate quote is above that quoted by your bank or credit union, it is probably "marked up." Ask the dealer for your "buy rate." If it is not provided, consider using another source to finance your car purchase.
- The Federal Equal Credit Opportunity Act prohibits discrimination in finance charges based on race, ethnicity, sex, or marital status. Make certain the rate you pay reflects your credit-worthiness, not one of these factors.

Finally, remember there is no 3-day right to cancel on car or car financing sales. Be sure you want the car and understand the terms before signing a contract. Do not drive the car off the lot until financing is final.



## How to Save for a Larger Down Payment

As noted above, the larger your down payment, the lower your debt, interest rate, and interest owed.

The most effective way to save a larger down payment is to set aside a portion of each paycheck. Ask your bank or credit union to regularly transfer a certain amount from your checking account to your savings account.

If you need assistance finding money to save, check out free information prepared by America Saves at [www.AmericaSaves.org](http://www.AmericaSaves.org), and, consider enrolling as an American Saver to qualify for free assistance including a quarterly newsletter and access to financial planners. You can do so by completing the Saver enrollment form available both on-line and on this brochure.

America Saves is a national savings campaign that is coordinated by the non-profit Consumer Federation of America and advised by national non-profit, government, and business organizations.



# Yes

I want to be an American Saver

All personal information will be treated confidentially.

I wish to enroll and receive benefits online. Enroll at [www.AmericaSaves.org](http://www.AmericaSaves.org).

OR

I wish to enroll by fax or mail, and receive benefits by mail. Complete the form below and fax to **(202) 797-9093** or mail to **America Saves, P.O. Box 65686, Washington, D.C. 20035-5686**.

I agree to save for a larger down payment on a car by saving \$\_\_\_\_\_ a month for \_\_\_\_\_ months in the following institution and type of account \_\_\_\_\_

to which I will make deposits by (method) \_\_\_\_\_

starting (approximate date) \_\_\_\_\_.

Signature \_\_\_\_\_

Name \_\_\_\_\_  
(please print)

Address \_\_\_\_\_

E-mail (optional) \_\_\_\_\_

Visit our website at [www.AmericaSaves.org](http://www.AmericaSaves.org)

