

# Anytime Adviser—Used Car Buying Coach

Welcome.

This interactive guide offers you strategies for finding and buying a quality used car.

Let's begin.

---

## ***Introduction***

You're at an auto dealership, looking at four used cars—all priced around \$12,000—each three model years old. Which is the best vehicle for you?

Match each car with its top characteristic.

<b>Cars</b>	<b>Characteristics</b>
Toyota RAV4	Rated as highly reliable
Mercury Sable	Very safe in crash tests
Jeep Grand Cherokee	Poor gas mileage
Honda Insight	Good gas mileage

---

Interested in a little guidance finding a square deal on the right used car for you?

Spend 10 minutes here.

---

## ***Objectives***

This quick guide offers you a used-car buying approach that can save you time and money and help you avoid frustration.

- Determine what you want in a car.
- Learn where to find reliability ratings and the current retail value on a specific model.
- Develop a strategy for staying in control at dealerships.
- Practice negotiating the price with a salesperson, and
- Learn why buying a car should begin at the credit union.

## ***Set Priorities***

Finding the perfect used car at the right price can be a challenge.

First, let's figure out what your needs are as a buyer. Are you...

- A first-time buyer?
- Buying for yourself or family? Or
- Buying for a teen?

As a first-time buyer, consider inviting a family member or experienced friend to join you through the process. It's more fun this way, and you'll have a second opinion to consider before making your choice. Before you turn to the classifieds, take a look at the complete cost of car ownership. Your monthly payment may be just half of the expense of operating and maintaining a car.

Before you shop, set your priorities. If the car is for family use, have each driver set priorities, and compare your lists. Reaching agreement now on "must have" features can make shopping for a vehicle go smoothly.

If you're buying this car for your teenager to use, consider stating your expectations up front. You'll want to reach agreement on your priorities in selecting a car as well as who will pay for the car, gas, oil changes, and repairs.

You should now have a sense of the features you're looking for in a car. It's time to figure out what you can reasonably afford to spend.

## ***Start at Your Credit Union***

Where is the best place to shop for a used car?

- In the newspaper?
- At the dealership?
- On the Internet?

Actually, you'll do better by starting at your credit union.

Remember, dealers and Web sites are out to make money **from** you. Your credit union is a not-for-profit cooperative, working **for** you. Here you'll find resources to find the best vehicle for you. If you need financing, you'll probably find the best loan here, too. Your credit union returns every dollar after expenses to members in the form of better services and lower loan rates. You'll find their car loan rates typically are lower than other financial institutions.

Two important questions you'll be able to answer at the credit union are:

- What can you afford? AND
- What will a loan cost you?

Some experts suggest all your monthly payments (rent or mortgage, auto, credit cards, student loans, and so on) should equal less than 40% of your gross (before taxes) income. Call your credit union for its evaluation criteria. A loan officer may even preapprove your loan application.

By starting at the credit union, you'll know how much you can reasonably afford to spend on a car.

And remember, the purchase price is just part of the cost of ownership.

If you own a home, a credit union home equity loan might look even better. The reason, of course, is that home equity loan interest payments may be 100% tax deductible (consult your tax adviser to see if you're eligible).

Once you know what you want and can afford, look for models that match your needs.

## ***Find the Right Car***

You're ready to narrow your search to a handful of models. With your completed Used-Car Priority Work Sheet in hand, circle any features you rated as "must haves."

Remember, if this will be a family car, reach agreement on priorities before continuing.

Your next step is to identify models with these features.

Reliability is a key concern with any used-car purchase. You may save considerable money on repairs by limiting your search to only those models considered as reliable. While each person's definition of a reliable car may vary, here are some resources:

- *Consumer Reports* annually determines the best and worst models for reliability.
- Also, Edmunds' Web site offers its own list and compiles satisfaction and reliability ratings.
- And consider personal experiences of friends and families—Ask those you trust about their satisfaction with their vehicles.

Safety is another feature consumers look for in a car. Features such as air bags and antilock brakes are proven in reducing accidents and injuries. To see how a vehicle rated in crash tests, link to the Insurance Institute for Highway Safety Web site.

Mileage and impact on the environment are of growing interest to used-car shoppers. The U.S. Department of Energy maintains mileage and emission figures on most vehicles.

Once you've identified a handful of models that meet your priorities, it's time to hunt for actual vehicles in your area.

Where should you shop?

If you're looking for a good price, consider buying from a private party, but expect to hire a mechanic to inspect before you buy.

Many dealers offer "certified" cars, which already have passed a rigorous mechanical inspection. But expect to pay more. A dealer also may include an extended warranty.

You'll find used cars everywhere. Start with the classified section of your local newspaper, especially on Saturday and Sunday. Check message boards at work and in grocery stores, watch for signs in cars sitting in yards, and ask friends and family. There are Web site versions of the classifieds, and many dealers even post their used-car inventory on Web sites. For no-pressure shopping, drop in at a dealer or lot on a Sunday to check the inventory.

Where to find used cars:

- Newspaper classifieds
- Message boards
- Signs in yards
- Friends and family
- Autotrader.com
- Local dealership Web sites
- Dealers and used-car lots

When you've found a few vehicles that interest you, contact the sellers for details. If a vehicle doesn't have the features you've selected as "must haves," you'll save yourself a trip.

When you've identified a few vehicles you're interested in test-driving, set up the appointments. Before any test-drive, though, research the current value of the vehicle.

Values on used cars vary considerably. Your best bet is to call your credit union for the loan value for each vehicle you're considering. If you currently have a vehicle you're planning to sell or trade, check its current value as well.

Now that your research is done, it's time for a test drive.

## ***Test Drive***

Show up for the test drive equipped with these essentials:

- A flashlight
- A flexible refrigerator-type magnet
- A rag
- A Used-Car Test Drive Checklist
- And a Friend—after all, you'll want someone to fill in the checklist while you're inspecting the car.

Wear comfortable clothes that can get dirty, since you will be looking under the car. Check under the hood, then under the vehicle and inspect the body. Be sure to stand behind the car while the seller starts the engine. If that first burst of smoke is heavy or blue or black in color, the car may have engine problems.

While you drive the car, have your friend complete the test-drive section of the checklist. After the drive, you can check the interior.

If you like the car, it meets your priorities, it rides well, and it's in your price range, you might be tempted to make an offer on the spot.

Now, if you truly believe that four more buyers are coming today to see this car and if it would destroy you to see someone else get this car, then make an offer, but expect to pay more.

When buying from a private party or used-car lot, insist on two things while negotiating:

- First, the vehicle must have a clear title.
- Second, the vehicle must pass your mechanic's inspection. If you don't have a mechanic, find one. A professional opinion now will either put you at ease or steer you away from a car with problems. Further, you can use any problems a mechanic finds to renegotiate the selling price.

If you're buying from a dealer, a few tips can help you remain in control of negotiations.

**First, consider timing.** If you can plan ahead, think mid-December. Everyone's shopping, but NOT for cars. You can land a great deal during the last two weeks of the year. The next best time to buy a car is the end of the month. Dealers are looking to squeeze in a few more deals to make end-of-the-month quotas.

**Next, find out who owned the car** and ask for maintenance and repair records. Also, the car you're considering may be "certified." This means that it has passed a mechanical inspection. Some dealers back up this inspection with a warranty of one year or longer. Ask to see a printed copy of the inspection and any warranty.

Is the title clear? Ask for the vehicle identification number to run a title search.

**Set a target price.** From your research, you know the average selling price on this model. Set your target and an upper limit. Be prepared to walk away from anything higher.

**Finally, keep the trade-in separate.** If you choose to trade in your current vehicle, first settle on pricing for the new car, and negotiate the trade-in separately. This will help you keep track of the true prices of each transaction. If you choose to trade in your current vehicle, first research its value.

Now it's time to practice negotiating!

## ***Negotiate!***

Test your skills with our friendly car salesperson, Keisha.

In this negotiation simulation, you are looking at a car priced at \$15,000 in a dealership. Your target is \$13,000, and your limit is \$13,600 for this vehicle.

Select the best answer to each of Keisha's questions.

---

**"Hi, I'm Keisha. How are you today?"**

- a) "I'm in a hurry, so can we cut to the chase?" (Although this might be how you feel, be businesslike. Show that you're prepared to carefully weigh your options and expect thorough answers.)
- b) "Good to meet you, Keisha." (Yes! You can negotiate better by being pleasant than by being harsh.)

- c) "Great, I'm so excited about buying a car today." (Slow down—an overly eager buyer gives up bargaining power. You have to be prepared to not buy if the deal isn't right.)
- 

**"Wonderful. So, how can I help you today?"**

- a) "Well, Keisha, I've decided I want to buy a car in the next week. I called yesterday, and it sounds like you have a couple of cars with the options I want." (Yes! You've made it clear that you're a serious shopper and you know what you want.)
- b) "I think I want to buy a black SUV, but I'm not sure what I can afford." (Oops. Start at the credit union, so you'll know what you can afford. Also, be careful what you reveal about yourself—if you say color is most important to you, you might not be taken seriously.)
- c) "I'm interested in a used car. Can you make me a really good deal on one?" (Caution: You might get a car loaded with options you don't really want. Research the pricing of specific vehicles before you visit the dealer.)
- 

**"Let's head out to the lot.... Say, did you want to trade in your Chevy?"**

- a) "I suppose so. What could I get for it?" (Keep these transactions separate, or you'll end up with an offer of "your car plus \$\$" and not know what price you're really getting on either vehicle.)
- b) "Perhaps, but let's work on just this car first. Then we can compare your appraisal on my car to the offer I have from a used-car dealer." (Yes! Keisha now knows she has competition, but she also sees her time may yield two deals—one for the used-car sale, another for the trade-in.)
- c) "Look, right now I just want a price on this car, nothing more." (Is this true? If you are considering trading in, be honest. With a trade-in, you might increase your sales representative's motivation, since her dealership now has two opportunities to make a profit.)
- 

**"This one just came in off a lease. We did all the servicing here, so it's in great shape. Would you like to take it for a drive?"**

- a) "Sure. Now, does this road connect with Route 40? I thought I'd take the local road out and the highway back." (While it's a great plan to test drive on various road types, complete the first three sections of the Inspection Checklist. It may reveal problems.)

- b) “Just in off lease, as in this week? I thought I saw this car in your ad last month.” (You may be right, but keep this point to yourself. Use this knowledge to offer less on the vehicle.)
  - c) “Yes, I would. But would you mind popping the hood first? I want to check a few things before starting the engine.” (Great move! You’re staying in control and following the Inspection Checklist.)
- 

After test driving the car ...

**“Isn’t that a great car? Smell that leather! I can’t get over how well it handles for a car in this price range.”**

- a) “Actually, I didn’t much care for it.” (This probably won’t help you in negotiating. Say it only if you mean it, and move on to the next one on your list.)
  - b) “Yes, I agree. It was quite responsive on the highway.” (Yes! You’ve conveyed that you’re ready to negotiate on this car, but you’re not falling for emotional appeals.)
  - c) “I guess it’s okay for the money.” (Frowning is unnecessary. You can talk up the car as long as you don’t talk yourself into an on-the-spot decision above your price limit.)
- 

**“So, should we write this one up? I had a guy driving this car yesterday, and he’s thinking about it. But if you put down money today, it’s yours.”**

- a) “Maybe, Keisha, let’s see what your best offer is and go over the certification inspection.” (Good. You’re remembering to ask for details about the car, and you’ve given Keisha the motivation to come straight out with an attractive offer.)
  - b) “Okay, Keisha, would you take \$9,000 plus my car in trade.” (Handle buying a car, trading your current car, and financing as three separate transactions. Settle on the price of the new car first. Then consider the options for your current car—trade in, sell yourself, or sell to a used-car dealer).
  - c) “Keisha, I want to buy a car this week, but I’m not buying today at any price.” (Is this true? Keisha knows her odds of selling to you drop tremendously if she doesn’t close today. She’s just lost interest in you.)
- 

**“Okay, if you put down \$3,000, I can send you home today in this beauty for about \$300 a month. How does that sound?”**

- a) "Just \$300 a month? I can afford that. Sure, go ahead and appraise my car." (Even if \$300 is your monthly payment target, settle on a final sales price first. Then compare financing terms with those offered at your credit union.)
  - b) "I really don't want a payment higher than \$250." (Negotiate on the selling price, rather than monthly payment. You'll probably do better with a credit union loan.)
  - c) "Since I'm financing through my credit union, let's talk in terms of your best offer on the selling price." (Yes, negotiate on the selling price, rather than the monthly payment. Besides, your credit union typically offers the best rates on auto financing.)
- 

**"It's a shame you're passing on the financing—it's a really great deal. So, just this car—no trade-in—I can go to \$14,500. Like I said, it just came in, and I don't think it will sit around long."**

- a) "I really love the leather. Sold!" (Wait. Try to keep your emotions in check and continue negotiating. If you must have this vehicle, expect to pay more.)
  - b) "Keisha, that still sounds high. Is that your best offer?" (Actually, this is a pretty good response, but you'll reach a final offer sooner if you give Keisha a counter offer she can take to her manager.)
  - c) "Hmmm. I won't pay \$14,500. Will you take \$12,500 contingent on a clear title check?" (Yes! You've offered a price below your target and demanded a clear title.)
- 

**"Okay, I've written up your offer of \$12,500. Just sign here, and I'll need a down payment of, say, \$500 to show my manager you're serious."**

- a) "Great, here's the check." (Stop. You may be walking into a trap. It sounds like Keisha expects your offer of \$12,500 to be accepted. More likely, she just wants your check to keep you at the dealership while the manager pressures you to come up to \$14,250.)
- b) "If your manager agrees to my price, I'll sign this agreement and write a check, but not until then." (Yes! You're in control.)
- c) "Keisha, I'm not giving you a check. I know this is just a ploy to keep me here. I've heard how you people will hang on to a check until a customer gives in to a higher price." (You're right not to offer a check, but exposing Keisha's tactics may just make her mad. You may be sitting quite a long time while Keisha takes your offer to the manager.)

---

Frank, the sales manager comes in...

**“Keisha tells me you want the Dodge for \$12,500. Boy, I couldn’t make that good a deal for my own wife. But I do have another Dodge. It’s a year older, but it’s loaded with options. It’s priced at \$14,000, but I’ll let you have it for \$12,500 if you buy today.”**

- a) “Sold. I never thought I’d get that great a deal.” (Stop. You’ve just agreed to a car that you haven’t even seen, much less researched. Stick with the first car and the first salesperson.)
- b) “Well, let’s have a look at this car, first.” (Caution. Since you haven’t had a chance to research this car, you don’t know its value. You’re not prepared to negotiate on this vehicle today—you might want to stick with the first car and the first salesperson.)
- c) “Frank, I’d rather work with Keisha, directly. Would you ask her to step back in?” (Good work. You didn’t fall for the switch. Stick with the first car and the first salesperson.)

---

Keisha returns.

**“Okay, the best, the very best I can do today is \$1,100 off. That’s a great deal, and you’ll be moving up into a car with much better mileage.”**

(Remember the dealership list was \$15,000, and you’ve set a limit of \$13,600.)

- a) “So that would be \$13,900? I won’t go that high. Thanks for your time. But do give me a call next week if you can drop the price another \$300.” (Yes. The final price was higher than your limit, so you’re walking away. Time to test drive the next vehicle on your list.)
- b) “That’s more than I wanted to spend, but I will save some on gas. Okay, what would you give me for my car on trade?” (Don’t let Keisha push you off track with her talk about better gas mileage. You set your limit at \$13,600, so walk away.)
- c) “Keisha, you’ve got a deal.” (You’ve just paid \$900 more than your target and \$300 more than your limit. Unless you absolutely must have that car, you would do better to walk away. The price may come down in a week if the car doesn’t sell.)

## ***Seal the Deal***

When you settle on a price for a car, be sure it is contingent on a clear title and a mechanical inspection.

If you're buying from a dealership, the business manager will attempt to profit further by selling you on his financing. Listen, and then say "No thank you." Your credit union financing is most likely the best deal in town.

The dealership also may offer to sell you an extended warranty. Check first, to see if any part of the car is still covered by the original manufacturer's warranty. Extended warranties are really insurance policies. You're paying a set fee up front rather than paying for repairs when or if they are needed.

Every warranty is different. If you're considering one, read the actual contract. Take note of length of the coverage in months and miles, any deductibles, where the servicing is done, and exactly what is covered. Finally, remember that extended warranties are a big profit center at some dealerships.

## ***Review—Do and Don't***

### **DO**

- Set a target price and limit.
- Call the credit union for the car value.
- Look for a car that meets your needs.
- Research the reliability of the car.
- See the credit union for financing.

### **DON'T**

- Shop on your own.
- Give a deposit with an offer.
- Make trade-in part of purchase price.
- Buy without proof of a clear title.
- Get your heart set on a certain car.

Congratulations! Enjoy your car!

Was this guide helpful? E-mail [AAdviser@cuna.com](mailto:AAdviser@cuna.com) to let us know.