



STUDENT ADVOCATES FOR FINANCIAL EDUCATION

BUYING AN AUTOMOBILE

Buying a car can be one of the most stressful and confusing things any consumer takes on. After all, cars come in many varieties with as many physical and finance options to choose from. The consumer may wonder how to decide on the best car for their specific needs. Below are some helpful hints to consider when buying any car.

Costs

- *Fees/Licensing:* call the local Department of Motor Vehicles for an estimate of costs
- *Taxes:* includes sales and personal property tax; depends on the state where the car is purchased
- *Insurance:* varies with make, model, age, and lender requirements (also the driver's age, driving history and credit rating)
- *Financing:* origination fees, interest, etc. varies per institution; check with several places and compare costs associated with financing
- *Fuel:* consider total mileage, miles per gallon used, and the gasoline type and cost
- *Age of Car:* new cars depreciate a lot the first year—a used vehicle may be a better deal.

Other Useful Tips

- Research more than one model to identify the approximate cost, reliability, and repair and performance rates
- Decide on a purchase price early and stick to it
- Comparison shop; don't settle for the first auto
- Bargain to receive the lowest price possible
- Do not be bullied or rushed
- Do not mention a trade-in until after a price is reached without one



TIPS FOR PURCHASING A USED CAR

Buying a reliable used car can save thousands on a vehicle purchase. A new car loses roughly 5% of its' value simply by driving it off the car lot after purchase. There are, however, many reasons to be wary of some used vehicles. Whether buying from a previous owner, an auto dealer, or other method, protect yourself and your hard-earned dollars by doing a little research before purchasing.

1. Have a mechanic put the vehicle on a lift for inspection and to check for accident damage. Check around windows and door jams to see if the car has been repainted. On older vehicles also ask for a compression check.
2. Run a vehicle history check at www.carfax.com to check if the vehicle has been totaled, rebuilt, flooded, or if the vehicle has had odometer fraud.
3. Never sign an "As Is" paper at a used car dealer; have at least a 30-day warranty included.
4. Get pre-approved for a loan before going shopping, not after. This will help identify what you as a consumer can afford to spend and allow for more buying and bargaining power.
5. Check the blue book value of the automobile. NADA (www.nada.org) and Kelly Blue Book (www.kbb.com) are acceptable references.



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BUYING AUTO INSURANCE

Buying vehicle insurance can be confusing. Here are some ways to reduce premiums while still getting the coverage you need.

- **Put multiple vehicles on the same policy.** Many companies offer family discounts for insurance.
- **Assess your deductible.** Is it more beneficial to have lower payments and a higher deductible? If it is, make sure that you can afford the higher deductible if you are involved in an accident.
- **Consider what you're getting into.** Understand your individual policy BEFORE you purchase it, and understand what it does and doesn't cover. Know how to file a claim and choose the company with a claim process that is convenient and appealing to you.
- **Don't choose limits that are too low.** Don't leave yourself exposed to a lawsuit that could cost you everything.
- **Security-alarms or anti-theft devices.** These may qualify the vehicle for premium discounts.
- **Vehicles with safety devices built in.** Can lower your premiums.
- **A clean driving record and a good credit report.**

INSURANCE COVERAGE

Compare not only the price, but also the coverage and exclusions among carriers. Premiums for exactly the same coverage can vary substantially from carrier to carrier.

Types of Vehicle Insurance Coverage:

- **Liability:** Bodily injury liability covers injuries to other persons, including pedestrians & property damage liability covers other persons' property if the driver or car owner is legally responsible.
Most states require vehicle owners to carry liability insurance by law
- **Medical Payments:** Covers bodily injury to the driver and any passenger regardless of who is responsible.
- **Uninsured and underinsured motorist:** Covers bodily injury to the driver and passengers (and in some states property damage) if the other driver is at fault and has no insurance or not enough insurance.
- **Physical damage:** Collision insurance covers damages resulting from a collision with another vehicle, object or a rollover. Comprehensive insurance covers property damages resulting from things such as fire, theft, hail damage, vandalism, etc. Collision and comprehensive insurance carry deductibles from \$100 to \$1000 that the insured must pay before the insurance company pays the claim.
- NOTE: For collision and comprehensive insurance if the total cost of repairs exceeds the value of the vehicle, the lower amount, less your deductible will be paid to the insured.

Ask around:

- Ask family and friends who they are insured with; find out the likes and dislikes of their company.
- Contact larger carriers, independent agents, phone based or Internet carriers and compare rates.
- Don't forget that once you purchase insurance it pays to make sure you have the best deal every year, even if that means switching



Important Questions to Consider:

- Do you trust the agent?
- Is it a well-known or established company?
- Is the quote too good to be true?
- Is the company financially sound?