BALANCE
Financially Empowering You

Drive Away Happy Podcast

[Music plays]

Randall:

You're listening to drive away happy. Hi, I'm Randall, your host for today's podcast. While shopping for a car is often exciting, it can also be complicated and time-consuming. First, it involves balancing the desire to buy your dream car with the reality of your financial situation. Then, you must decide whether to buy or lease, and learn as much about your car as possible to help you get the best deal available. This podcast will cover the basic information you need to make smart car buying decisions. To help you learn more, we're going to cover five important topics; understanding your financial situation, whether to buy new, used or lease credit and financing, how to get the best deal and finally leasing and lending laws.

Let's get started with understanding your financial situation. This will help make the car buying process efficient and improve your chances of driving away happy knowing that your new car meets your needs and most importantly, your budget. To do this, there are three factors to consider; first, your needs. Think about your transportation requirements. Does your car need to accommodate a growing family or does it need to be small enough to squeeze into tight parking spaces? Does it need to be tough enough to haul firewood or classy enough to drive clients around town?

Second, consider your wants. Things like make, color, options and style should play a part in the car buying decision. When all is said and done, you should be happy with your choice. If you're not quite sure what you want, you can get ideas by reading car magazines or searching the web for car related blogs. Third, consider your budget. It's easy to get carried away and end up with a monthly car payment that's just too expensive for you. Your financial situation, not the sales person's opinion, should drive your decision.

A great way to keep the focus on your budget is to review your current income and expenses so you can see exactly how much money you have available each month for car expenses. Compare your monthly income and expenses and make sure you include your projected monthly car payment, insurance premium, gas expense, maintenance and registration and any parking expenses. If you add all this up and find there's little or no money available to pay for these things, you may need to rework your budget, reducing or eliminating non-essential expenses.

One way to reduce the amount you pay each month, is to save for a down payment. While it's possible to buy a car with no down payment, you'll end up paying a lot more for it if you do. Typically, the more money you borrow, the more money it's going to cost you in the long run and this means higher monthly payments. To decrease the amount you financed, it's smart to make a down payment preferably as much as you can afford. With enough savings, you may be able to buy your car outright. Though this is more common with used cars rather than the new ones.

Saving money effectively begins with setting a goal which is basically knowing how much money you want to save. You should also set a reasonable date to achieve your goal. To help make saving money easier, consider setting up automatic deductions. Contact your financial institution and arrange to have a set some deducted from your checking account and automatically deposited into your savings account.

Next, we'll talk about whether you should buy a new or used car or lease your next car. To do this, we need to become familiar with the positive and negative aspects of each option. When it comes to buying a new car, there are a number of advantages. For instance, you can order the exact make model and options that are important to you. In addition, they are typically more reliable and most warranties cover repairs and parts, but there are also disadvantages to buying a new car. They can be very expensive not just to buy but also the cost of insurance and registration fees, and it's important to remember that the value depreciates the moment you drive it off the lot.

Used cars also have advantages. For example, used cars are less expensive than new cars so you may be able to buy the car without a loan. On the downside often, you may not know the car's history. It may not have been sufficiently maintained and may be less reliable and rarely do used cars come with warranties.

You may also find yourself paying more for maintenance cost as older cars tend to wear out. With a lease, some advantages include lower monthly payments and less upfront costs than with buying a new car. Leases are also relatively short-term, so you can drive a new car every few years and you're more likely to get a more luxurious model. Typically, leased cars have comprehensive warranties which should provide some piece of mind. Keep in mind that although leasing provides a way to afford a nicer car for less money each month, you're essentially renting it. At the end of the term, the car won't belong to you.

In addition, there are limits to the amount of miles you can drive, often around ten to fifteen thousand miles a year and you must pay for additional mileage or damage beyond normal wear and tear. There's typically not as much room to negotiate a deal with the lease as there is when purchasing a vehicle, so look for the best initial offer you can find. Also, you must have good credit to qualify for a lease and the cost of insuring a leased car can be very high. Finally, it's very difficult to break a lease contract if you find the car no longer meets your needs.

Let's take a look at credit and financing. Your credit history will have a serious impact on your loan particularly your interest rate; the better your credit score, the better rate you'll receive. Other factors such as length of employment, income and expenses may also be considered when determining what type of financing you may qualify for. If your credit report isn't perfect, consider having someone with good credit co-sign the loan for you but be cautious because a cosigner assumes equal responsibility for paying back the loan. Any late or missed payments will appear on each of your credit reports. Understand that there are many financial options available.

Remember, financing increases the total cost of your car and your monthly payment, so the loan you get is very important. Before you sign any loan agreement, be sure you understand the following. The exact price you're paying for the car, the amount you're financing, the finance charges, your annual percentage rate, the number and amount of payments, and the total sales price. The key is to shop for the best loan deal available, after all, the total amount you'll pay for your car depends on a number of factors including its price, the annual percentage rate or APR and the length of the loan.

There are really three things to remember when shopping for the best deal. First, don't be fooled by an advertised, low monthly payment. If the length of the loan is long and the interest rate high, you'll be paying more money than you have to. Second, be wary of low promotional rates. A low rate is only one part of the equation; keep your focus on the overall cost of the car, and third, always look for manufacturer's incentives. Dealers may offer cashback on specific models. So, what about 0% financing. It sounds like an amazing bargain, right.

Well, it's not always the best financing solution. As a matter of fact, you may do best to stay clear. You see many times 0% financing comes with strings attached including inflated prices for extended warranties and loan insurance, high application fees and prepayment penalties. Also, you may forfeit any rebate options; meaning you'll pay more for the car, even with the 0% interest rate. If given a choice between a rebate and 0% financing, it's usually better to take the rebate and use it as a down payment. This will help you drive down your monthly payment.

You may also find that 0% financing is only offered to those with very good credit which is determined by the lender and it's often not available for the most popular cars and trucks. Something else to look out for is dealer financing. At an auto dealership, it's almost certain you'll be encouraged to use their financing department. While not all dealership loans are bad, in most cases, a loan from your financial institution will be the best deal.

Now, let's talk about how to get the best deal possible. This really comes down to one thing; never walk into a dealership unprepared. Before you go, you should already know the model you want, the options you're looking for, your transportation needs, how much you're willing to spend, how much you can afford to finance and how much you can spend on a monthly payment. To get the best price on your new car, you'll probably have to negotiate with a salesperson, but don't worry, it'll be worth it. Negotiating can often save you 10 to 20 percent of the advertised price.

If you already have a car, there's a good chance you'll want to sell it and use the money for a down payment. To get the best price, make sure you know how much your car is worth. Check reference books or search the internet to determine your car's value. After that, you have two options. First, you can sell it yourself. You'll usually get the best price this way but this can take some time. Your other option is to trade it in to the dealer. While this is the easiest option, you typically won't get the best deal. To make sure you get the most from a trade-in, do so only after you've negotiated the best possible price for your new car. Getting the best deal isn't limited to just the price of your car, insurance can also be a major expense.

There are six things you can do to improve your chances of lowering your insurance costs. Number one is to improve your credit score. In some cases, your credit score may be used to determine your premium. Take this opportunity to pay down excessive unsecured debt, pay off collection accounts and pay your current financial obligations on time, every time.

Number two is to establish long-term residence; even better, become a homeowner, both give the impression of responsibility. Number three, avoid tickets particularly moving violations. If you do receive a ticket, attend traffic school, if possible.

Number four, lower your coverage amounts and increase your deductible. If you're a careful driver with a good driving history, this may be an option worth exploring. Number five, buy a used vehicle; the premiums are cheaper. And number six, avoid four-wheel-drive and high-performance vehicles which often carry higher premiums.

Finally, we're going to talk about leasing and lending laws. Before you buy or lease, always make sure to read and understand the contract before signing. It should be a precise reflection of the terms that you agreed to and the vehicle should be exactly the one you want. If you're buying, be aware that once you sign the sales contract, you won't be able to change your mind later; you're legally bound by all its terms and conditions. The contract can only be cancelled with the dealerships permission or if there is legal ground for it.

As a consumer, you have a variety of rights designed to help protect you. First is the Truth in Lending Act. This law requires lenders to provide written disclosure of the following: annual percentage rate, total finance charges, monthly payment amount, payment due dates, total amount being financed, length of the credit agreement and charges for late payment.

Next is the lemon law. A lemon is any car that has been repaired for the same defect multiple times without any resolution of the problem. Lemon laws vary by state and may exceed your purchase contracts the defect warranty. The defect must substantially hinder the vehicles use, value or safety. The lemon law covers a wide range of defects such as problems with the engine, transmission, electrical system, brakes and steering.

The federal consumer Leasing Act requires the leasing company to disclose the following; the total amount of the initial payment, the number and amounts of monthly payments, all fees charged, annual mileage allowance, whether the lease can be terminated early, whether the car can be purchased at the end of the lease, the price to buy at the end of the lease and any extra payments that may be required at the end of the lease.

The credit practices rule requires lenders to provide a written notice to potential co-signers of their liability if the other person fails to pay while the Equal Credit Opportunity Act prohibits discrimination related to credit because of gender, race, color, marital status, religion, national origin or age. Some state laws may provide you with additional rights. Contact your state's Consumer Protection Agency or Attorney General's Office. And that's all for today's podcast. I want to thank you for listening, this is Randall saying, goodbye.

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