

Living Independently: Choosing a Set of Wheels¹

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Most people need to have some form of transportation. If you are living on your own, you will be traveling to work or to school. You will have to shop for things that you need and bring them home.

What Kind of Transportation Do I Need?

The type of transportation you choose will depend on your finances, age, physical condition and the availability of public transportation. The least expensive forms of transportation are usually bicycle, public transportation or a small motorcycle.

Most people rely on some form of motorized transportation such as a car, van or pick-up truck. These are more convenient, offer greater flexibility and cost more money. Over a lifetime your greatest expenditures will be food, housing and transportation. Thus, it is important to spend your transportation dollars wisely.

How Much Will It Cost?

Before you go out to buy a set of wheels, be realistic about how much you can afford to spend.

The money you spend to buy a car or truck is only part of your transportation cost. Other essential expenses include fuel, insurance, repairs, depreciation and replacement costs. When you add these together you will be surprised at how much per mile it costs you to drive.

The type of vehicle that you drive will influence the amount of money you must spend to maintain it. Insurance will cost more for some makes and models of cars than for others. For example, the insurance rates on sports cars are high compared with sedans, especially for young, single men.

Federal regulations require a sticker to be placed on the window of each new car listing the options on the car and giving the suggested retail price of the car and of the options. (A price sticker is not required for pickup trucks and similar motor vehicles.) Environmental Protection Agency (EPA) regulations require the posting of the car's fuel efficiency stated as miles per gallon and the estimated fuel cost for a one-year period. A car's fuel efficiency can make a big difference in a car's operating cost.

New cars are expensive to buy and financing adds to this cost. Most new cars are financed over a

1. This document is Fact Sheet FCS 5035, a series of the Department of Family, Youth and Community Sciences, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida. First published: May 1988. Revised: May 2005. Please visit the EDIS Web site at <http://edis.ifas.ufl.edu>

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period of three to four or even five years. The longer the repayment period, the greater the cost. For the person who does a lot of driving this can mean a car is worn out by the time it is paid for. Even with long term financing many people are not able to afford a new car.

Many automobile dealers have cars that can be leased for one to three or four years. The deposit is less than a down payment would be. The monthly rent is usually a little less than the monthly payment when buying a new car. If you lease a car however, you are still responsible for the insurance, upkeep, fuel, service and repairs, and the condition of the car.

At the end of the lease period the car can be purchased at market price or returned to the dealer. At that time the car is classified as a used car, so financing will cost more. It is very important to understand the terms of the lease. You may owe additional money if you have driven more than the average number of miles or the car is not in as good condition as expected. Although you have paid monthly, you do not own the car. You have no car to trade in on another one.

When you are considering buying, or even leasing a car, get as much information as possible about that model's projected performance and frequency of repairs. There are magazines that publish independent test results. Most of these contain useful and reliable information. At least one publication carries no advertising, to ensure that it is free to report its findings without bias.

How Do I Comparison Shop?

Although women buy about half of all cars sold, most feel less confident than men when shopping for a car. Salesmen frequently treat women differently because they assume women have little interest in or understanding of a motor vehicle's performance.

Shopping for a car is a challenging experience for even the most skilled shopper. A lot of money is involved and the purchase must last for several years. It involves bargaining, a skill for which most people have little training. Although the vehicle has a suggested manufacturer's price, it is common knowledge that almost all cars sell for less. To

compensate for this price reduction some dealers add a second price sticker that lists additional costs such as dealer preparation. Since the salesman earns his income from commissions, he is eager to make a sale and at the highest possible price. The higher the selling price, the more he earns.

In recent years manufacturers and dealers have used sales incentives such as gifts and discounts to coax shoppers to buy. Sometimes it is hard to tell if these represent real bargains. A shopper's best defense is knowledge. Try to find out the vehicle's cost to the dealer, plus the cost of options that are included or desired such as air conditioning. To this figure add two to four hundred dollars as a marketing margin, for things such as salesman's commission, and the dealer's overhead and profit. The total of these figures will give you the very best price that you can expect to get.

Shopping for a car takes courage. Leave your emotions at home. During the bargaining process you must be willing to walk away from a dealer if he rejects your offer. Wait a few days before returning. He may make you a better offer. If you are trading in an old car, the situation becomes even more complex. Go to a financial institution such as a credit union or bank to find out the wholesale value of your old car. These places usually have references that list wholesale and retail values of various vehicles by make, model, options, and condition. By finding out the cash value of the new car and the wholesale value of your car, you can determine what is a reasonable deal for both you and the dealer. Many salesmen will offer an unrealistically high trade-in price on an old car and then increase the price of the new one to cover the higher trade-in.

How Do I Find the Best Buys?

Car dealers do not want you to comparison shop among competing dealerships. Many will not quote you "our lowest price" until you are "ready to buy today." This approach causes many shoppers to believe they have promised to buy when they are quoted the dealer's "rock bottom price." If you are seriously shopping, answer that you are ready to buy. Get the price. You can reject the offer or you can think it over and decide if it is a good one. You are

obligated for nothing until you sign a sales contract. **NEVER** sign a sales agreement until you are certain you want to buy that specific car at the agreed price.

Will There Be Unexpected Costs?

When buying a car, be aware that the price you have agreed upon is not the final figure. To the sale price of the car is added sales tax, plus the cost of the tag, title and a fee for handling the paperwork. This can increase your total cost several hundred dollars. Therefore, before signing ask for these additional figures, sometimes called the "out-of-the-door" cost. You may also be encouraged to buy a service contract or "extended warranty." Carefully evaluate the cost, the likelihood of needed repairs and what this does to the total price you are paying. Although some people have found extended warranties very helpful, many others have not. (Refer to the Extension publication FCS 5024: *Extended Warranties and Service Contracts* for more details.)

Before buying, consider the service that will be required for the vehicle. How often must the car be serviced? What are the costs? How reliable is the service department? Good, reliable service is essential to the life of a car.

Always test drive a car that you are considering buying. Try it out on city streets, a bumpy road and, if possible, a short highway drive. You should be comfortable in the car, it should handle well for you, and be large enough to carry the things you transport often.

Compare the warranties of cars you are considering. Warranties vary in length, coverage, and some prorate certain repair costs. Also be aware of Florida's "Lemon Law," which may provide additional protection for a new car buyer.

Where Do I Get Financing?

Not many people pay cash for their cars, so shopping for credit is another consideration. Financing is offered through most dealers and they encourage you to buy from them. Some of the dealer financing is handled through a finance company owned by the automobile industry, for example, GMAC (General Motors Acceptance Corporation).

Most dealers also offer other financing which is arranged through a local bank or finance company. If you choose this type of financing your credit contract is sold or discounted to the bank or finance company. The dealer gets a commission from the financial institution for handling your credit transaction.

Before signing your credit contract, do some comparison shopping. Visit local financial organizations such as credit unions, savings and loan associations, and banks. Find out what their terms are and their conditions for extending credit. Compare the annual percentage rates of different credit sources. Whether you obtain your own financing directly from the financial institution or get it through the dealer, select the credit that is least expensive and has the best terms for you.

If you are buying a used car or even a dealer's demonstrator, the rates will be higher for credit than for a new, untitled car. Also, the older the car, the higher the APR you will have to pay. (Refer to the Extension publications FCS 5002: *Consumer Credit Contracts*.)

Will the Dealer Make a Difference?

Where you buy your car is important. Some dealerships are more reputable than others. Automobile dealerships are individually owned franchises. This means they are privately owned businesses that have an agreement with the manufacturer to sell certain makes of cars and to follow certain policies. New car warranties are given by the manufacturer, not the dealer. The dealer does the warranty work and bills the manufacturer. Some dealers also provide additional services for their customers. Sometimes manufacturer's policies are not carefully followed by some dealers, while other dealers make every effort possible to serve their customers.

What About a Used Car?

If you are buying a used car, be careful to evaluate the reliability of the company from whom you buy. Most franchised dealers keep the best and most reliable trade-ins and sell them in their used car departments. Older, or less reliable cars are wholesaled at automobile auctions where used car lots

buy them. Used cars sold by dealers have usually been serviced and checked by the dealership's repair department.

Used car lots often do not have repair departments. Most of their cars are sold in the same condition in which they were traded in. Before buying from a used car lot, find out how long the lot has been in business. Some have been in business for many years and have a reliable reputation. Others open up and stay in business for a short period of time and then leave.

Used cars must carry a window sticker informing the buyer whether the car has a warranty or is sold "as is." If it has a warranty, it must be in writing. Most used cars are sold "as is."

If you are buying a used car, it is wise to have a reliable, independent mechanic check the car out before you buy it. It will cost you a small fee, but it is money well spent. It could save you a costly mistake. Do not buy a used car from any company or person who refuses to allow you to have the vehicle checked by an independent mechanic before you buy.

How Do I Get Value for My Dollar?

Reliable transportation is an important investment. Take the time to locate and read reliable information about the vehicles you are considering buying. Comparison shop carefully. Consider the total cost of the investment. Shop for credit carefully.

When you have purchased your wheels, take good care of them. Follow the manufacturer's recommendations regarding service. Many vehicles have given poor service due to abuse or neglect. A frequent oil change is much cheaper than a repair job. If you take care of your car, it will take care of you.

Choosing and Purchasing a Car Quiz

Circle your Answer

True or False

- | | | |
|---|---|---|
| T | F | 1. The cost of transportation is much more than the cost of the vehicle. |
| T | F | 2. A window sticker giving the list of options and the manufacturer's suggested retail price is required for each new car. |
| T | F | 3. Your driving record is the only thing influencing the cost of auto insurance. |
| T | F | 4. There is very little difference in the cost of new car financing from different credit sources. |
| T | F | 5. Car dealers will quote you their best price in dollar amounts and encourage you to compare the cost of new cars among competing dealers. |
| T | F | 6. A high trade-in price for your car is an assurance of a good deal when buying a car. |
| T | F | 7. New cars are required to have the estimated MPG rating posted. |
| T | F | 8. All new cars have the same warranties. |

Answers: 1.T, 2.T, 3.F, 4. F, 5. F, 6. F, 7.T, 8.F