

Kyle Busch is the author of Drive the Best for the Price: How to Buy a Used Automobile, Sport-Utility Vehicle, or Minivan and Save Money. In 1991, the book's author purchased a used 1986 vehicle for \$2,600 that a private owner had driven 82,000 miles. He has driven the vehicle for over nine years and the odometer has now logged over 292,000 miles. The vehicle continues to provide for his daily transportation needs.

<http://www.drivethebestbook.com>

### **Lowering the Finance Cost on Your Next Vehicle Purchase**

**Adapted from "Drive the Best..."**

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Before making a purchase, especially a large one, most buyers ponder an equation that goes something like: What is it going to cost me, and will that equal what I am going to get?

Consider that equation when buying your next vehicle. Naturally, you want to get the most vehicle for the money you spend. Here are several tips that will help you to lower your transportation cost.

First, and foremost, consider eliminating some of the steep depreciation cost incurred during the first few years of vehicle ownership by purchasing a 2- to 3- year-old used vehicle.

The price can be further reduced by paying cash. However, if you need to finance your next vehicle purchase, consider doing the following to keep its cost closer to the "as if you were paying cash" figure.

- Take the time to carefully identify your current and your future transportation needs, and choose an appropriate vehicle. Transportation represents different things to different people.

For some drivers, it represents status in society. Other drivers place greater emphasis on reliably just getting from point A to points B and C.

The more closely that you match your driving needs with the vehicle you buy, the more driving pleasure you will experience and the more likely you will want to hold on to the vehicle. When you reduce unnecessary vehicle trades, you save money.

If you can't fully identify your transportation needs or the vehicle that can best satisfy them, consult the April issue of Consumer Reports at a public library.

The publication groups vehicles into categories, provides frequency-of-repair information for many vehicles, and gives vehicle price information.

It is a good idea to identify 2 or 3 vehicles in a particular category that meet your transportation needs. This enables some latitude when shopping for the vehicle.

- Identify how much you can afford to spend per month on transportation. A rule of thumb suggests that the cost to rent an apartment per month should not be greater than 25 percent of your monthly net pay.

The cost of an auto loan should not exceed 10 to 12 percent of your monthly net pay.

In some instances, leasing a vehicle could be a better option than taking out a loan.

- The vehicle down payment should be the largest possible, and the amount of money borrowed the lowest possible. In addition, borrowing money for the shortest period of time (i.e., a 24-month loan rather than a 48-month loan) will reduce the overall cost of the loan.

- Identify the various loan sources such as banks, savings and loans, credit unions, and national lenders. For example, go online to ask jeeves.com and specify "automobile financing sources."

In regard to national financing vs. local financing, it can be useful to determine what the cost of a loan would be from the national sources, but accept a loan from a local source if the loan cost is comparable or nearly comparable between the two.

Compare the APR (annual percentage rate) that each of the sources will charge for the loan.

The cost of a loan is negotiable. Therefore, be certain to inform each source what the others have to offer.

In addition to the loan's APR, remember to also compare the other costs associated with a loan, such as loan insurance and loan processing costs.

- Be certain to read and understand any fine print contained in the loan contract. Insist that the loan contract gives you the option of making payments early and that the payments will be applied on the loan principal with no penalty or extra cost if you payoff the loan early.

- Do not settle for a vehicle that does not entirely meet your transportation needs because of low dealer or manufacturer incentive financing. Sometimes dealers or manufacturers offer extremely low APR financing on vehicles that the dealer is having a hard time selling.

That's why it helps to have initially identified the correct vehicle before encountering the sales pitches and other influences of buying a vehicle.

In addition to the points covered in this article, the successful purchase of a used vehicle involves many other details. Being attentive to details and knowing what to look for when inspecting and test-driving a used vehicle will translate into significant savings. Additional information about the exterior and interior inspections, the test-drive, saving money, and selling a used vehicle are explained in the book: *Drive the Best for the Price: How to Buy a Used Automobile, Sport-Utility Vehicle, or Minivan and Save Money*.