Buying a USED CAR

IT'S A MONEY THING®

This simple guide to buying a used car shows you what to check for and how to get the best deal



BENEFITS OF BUYING USED

Lower price
Buying a used car is more cost-effective than buying a brand-new car

Wider selection
As used cars are cheaper than brand-new cars, you widen the number of cars to choose from

Avoid depreciation
In the first two years of ownership, a new car will lose about 30% of its original value

Resale value
If you sell your used car in a few years, you will lose less money on the resale than if you had bought it new

1 RESEARCH

Set a realistic price range

$8,000 — $12,000

Include **insurance** and **repairs**, plus **features** you need

You don't want to be stuck with monthly payments you can't afford

Only look for **makes** and **models** that fit into your price range

Figure out what kind of car you need

Your needs	Compact	Sedan	Van	Truck
People hauling	Up to 4	Up to 4	More than 4	2–4 people
Stuff hauling	Books and backpacks	Groceries and a few boxes of stuff	Lots of people and stuff on a regular basis	Work tools, equipment or pulling a trailer
Driving/ fuel mileage	Lots of highway driving or commuting	Mix of around-town and highway driving	Around town with the occasional long-distance trip	If you drive and tow equipment a lot, consider a diesel engine
Four-wheel drive	Rarely	Some	Some (all-wheel drive)	Yes

Get pre-approved for financing

If you don't have the cash to buy your used vehicle outright, you'll need to get an **auto loan**

Being **pre-approved** for an auto loan from your **credit union** is a good idea

You'll know how much you can spend, which will give you some **negotiating power** with a dealer or used car lot, as they'll know you are serious

Find your vehicle

Visit the manufacturers' websites to find a model you like

Visit websites that research and investigate vehicles for consumers to find out all you can about the vehicle you like—try **consumerreports.org**, **edmunds.com** and **kbb.com**

Visit your local dealer, used car lot or classified ads and start tracking that vehicle down

PRIVATE SELLER vs. DEALER OR USED CAR LOT

ADVANTAGES

Great deals
When you buy directly from a person, you can often find a really good deal

Less intimidating negotiations
Negotiating can be less intimidating because you're working with a regular person, not a highly trained sales professional

No unnecessary costs
Dealerships often try to charge for unneeded extras

Warranty
Most dealers offer a warranty, which will give you the peace of mind that the car that you're buying is in good working condition

Extras
Dealers will often throw in extra services for free that a private seller can't, like a free oil change

Trade-ins
Dealers take trade-ins, which can lower the amount you have to pay for the car you are buying

DISADVANTAGES

No consumer protection
If you discover after the sale that the car has a problem (known or unknown by the seller), it immediately becomes your problem

Annoying negotiations
Owners tend to be more attached to their cars than dealerships and can be difficult to work with

Higher prices
List prices at dealerships tend to be more expensive than when buying directly from a private owner

High-pressure negotiation
Negotiation with used car salespeople can be high pressure, so selling is what these folks do for a living

2 EVALUATE

Before you start the car, give it an initial inspection

Inspect the exterior
Look for offset doors and fenders, cracks and differences in paint color, as they may indicate body damage—if you spot new paint, tap along the repainted areas; a change in the sound can reveal repairs and body work

Check the interior
Inspect the interior for wear and tear and water damage and check the odometer—if it shows low mileage but the inside of the car is disheveled, the car may not be what it appears to be

Look for rust
Check underneath the car for rust—a used car with a rusted frame isn't structurally sound

Check the tires and wheels
Look for even tire wear—uneven wear could mean that the wheels or suspension are out of alignment

Look at the engine
If you see rounded or stripped nuts and bolt heads, it may indicate shoddy repair work check for new spark plugs—it is a good sign that the car has undergone regular maintenance; make sure the coolant is clear and the oil, transmission fluid and brake fluid are all the correct colors

Now, take the car for a test drive

Be sure to drive it cold—a cold engine will tell you a lot more than a warm engine will

Plan your route
Your test drive route should cover different types of roads—try to drive on highways, city streets and on rural roads

Vary the terrain
Find a bumpy road to see how the car responds—if you feel like you're being thrown around, the shocks are likely worn out

Check the controls
Test the wipers, lights, turn indicators, stereo, and the heat and air-conditioning controllers

Check the brakes
Find an empty road, accelerate and hit the brakes hard—if the car pulls to one side, there may be a loose caliper

Check the gearbox
Gears should shift smoothly—if you hear any grinding noises, there is likely something wrong with the transmission

Check the alignment
While driving, momentarily take your hands off the steering wheel to see if the car pulls to the left or right

VEHICLE HISTORY REPORT

Get a comprehensive report of the vehicle's history—these reports often cost money, but they are worth it

For no charge, **carfax.com** will show you how many records are available for a specific Vehicle Identification Number (VIN); however, if you want to view the records, there is a charge

3 NEGOTIATE

You've found a car you're happy with and now you want to buy it

Remember, dealers don't just make their money on the selling price

Front end
Dealers make money on the front end by selling the car for more than what they paid for it

Back end
Dealers make money on the back end by selling financing, extended warranties and add-ons like rustproofing

Trade-in
If you have a trade-in, dealers make money on the difference between what they pay you for your car and what they get when they sell it

It's time to negotiate

Dealers build about 20% gross margin into the asking price of the used car

Research the price
Find out what the going price is in your area for the type of car you want—check out classified ads in the paper or online to get an idea of prices

Make an offer
Offer 15% below the asking price—tell the salesperson that you know there's about 20% gross margin in the price and that you want him or her to make a profit

Turn down add-ons
If you're buying a used car from a dealer and they try to sell you add-ons, just say no—you can likely find a cheaper source elsewhere

Be prepared to walk away

In any negotiation, be ready to walk away—be flexible in your choice and don't get too attached to one car

BROUGHT TO YOU BY FIRST Financial

Sources: CARFAX.com, ConsumerReports.org, Edmunds.com

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