

NEW CAR Buying Guide



Going Green

Hybrid cars and trucks have two things going for them: They're better for our environment, and they can save you big bucks at the gas pump.

Here's what you need to know before buying.

WHAT IS IT?

Hybrid vehicles boast two separate powertrains, one that runs on electricity and another that operates with gasoline. They use electricity at low speeds, when less power is needed, then switch to conventional power as you accelerate. The result is a huge boost in miles per gallon of gasoline. The battery is often recharged through a process called regenerative braking. The electric motor runs backward as you stop, returning power to the battery.

HYBRID BENEFITS

Going green helps the U.S. continue to reduce its reliance on foreign oil. It also helps our energy economy become more resilient, since hybrid vehicles use multiple fuel sources. Electricity is produced in the U.S. through a combination of natural gas, nuclear, coal, and wind, water and solar. Both plug-in and hybrid vehicles typically score significantly better on emissions when compared with conventional vehicles. They're



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more expensive, but those costs are eventually offset by fuel savings. Vehicles like the Hyundai Ioniq Hybrid and Toyota Prius boast average miles-per-gallon at more than 55. Kia's Niro FE crossover gets more than 50 mpg; the Ford Escape SE Sport Hybrid gets more than 40.

CHARGING STATIONS

Hybrids have the flexibility

to move from electric to gas, so they can always refuel at the local station. But all-electric vehicles have to rely on public charging stations when not at home or at the office, and there were only 26,000 of these stations nationwide in 2020, according to the Alternative Fueling Station Locator.

Municipalities, manufacturers and various environmen-

tal groups are pushing hard to install more of these stations, but that is still a work in progress.

BATTERY LIFE

Replacement battery prices are expected to decline, as the technology advances and production increases. At this point, however, they're still very expensive. They predicted to last 12-15 years in mod-

erate climates, according to one National Renewable Energy Laboratory report, and 8-12 under more extreme conditions. Several manufacturers are offering extended battery warranties, which may make sense if you're concerned about losing power. Check with dealers for more details on model-specific battery life and warranty offers.

Maximizing Your Trade-In

Consider upgrading your current vehicle before purchasing a new one in order to maximize its trade-in value.

WHY IT MATTERS

Dealers are always interested in acquiring well-kept used cars and trucks for resale. That's even more true lately, as supply-chain issues have lowered new-vehicle inventory. Dealers can turn a tidy profit, sometimes in the thousands of dollars per used vehicle. So, you may be sitting on some unexpected value. Keep in mind that the amount your car or truck yields will depend on its age and condition — along with local market demand. But getting the best price for your old vehicle directly impacts what you'll pay for the next one, keeping money in your pocket.

DO YOUR HOMEWORK

There are agreed-upon prices for vehicles based on several data points. Research your old vehicle's current value before you arrive at the dealership in order to more effectively negotiate. A reliable source for information is the Kelley Blue Book, which includes a trade-in database linked to their in-house questionnaire. Answer honestly in order to receive the most accurate estimate. Then you'll

have the information you need to negotiate with a car dealer. It's always smart to shop around. Other resellers might have more interest in your particular make and model.

FIRST IMPRESSIONS MATTER

If you find yourself disappointed in the received esti-

mate, consider small cosmetic changes that might make a difference. Hire a local detail professional to shine up the exterior and interior for an immediate impact. Some detailers are actually contracted to prepare used vehicles for sale at dealerships, giving them great insight into exactly what needs to be done. Invest in new floor mats or hubcaps.

Peel away bumper stickers or parking decals.

MAKE REPAIRS

Have the car looked over by a good mechanic. Minor mechanical problems can create unwanted noises or emissions, giving a poor impression to the dealer.

Dealers will automatically assume the worst if a warning

light is on, then bid accordingly. Should larger issues be found, you'll arrive at the dealership armed with a quote so you'll know exactly how much the repairs should factor into any trade-in offer. Also check if your vehicle is under current recall; the dealership may factor in the work that needs to be done to fix it when estimating trade-in value.



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Should You Lease?

Leasing a vehicle, rather than buying, can be a smart move for those who like to upgrade to newer models every few years.

There are pros and cons, however, to both options.

COST CONSIDERATIONS

When it comes to your note, leasing a car or truck is much like renting a home. You get use of the vehicle at a pre-set rate for a certain number of months. The different is variety: Many leasers simply move to another lease at the end of their term. They often pay less than they would as a buyer, giving some drivers the opportunity to drive a vehicle that is more expensive than what they could afford to buy. There are also repair-cost benefits, since the rotating vehicles are always under warranty.

BUYER BENEFITS

Unlike with leasing, buyers walk away with a valuable asset. They reach the end of their loan payments, and then get to keep the vehicle. Leasers remain in a cycle where they never stop making car payments. They're also leasing the vehicle when it is brand new and thus most rapidly depreciating. By contrast, buyers can get more value out of their purchase by keeping it after the loan is finally paid



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off. Though it can be less of a concern in the work-at-home era, lease contracts limit the number of miles that may be driven. Buyers can also simply sell their asset, whereas leasers pay a hefty penalty if they want to get out of a lease. There can be thousands of dollars in penalties and termi-

nation fees, and all it would be due all at once.

OTHER DIFFERENCES

Vehicle prices continue to edge upward, while savvy buyers demand pricey features that are only available in newer models. That's made leasing a more mainstream

alternative to purchasing a new car. There can also be significant tax advantages if you are a business owner. Remember, however, that a leased vehicle isn't actually yours, so you have to keep it in excellent condition or risk incurring a penalty. Some lease promotions require a

cash down payment, meaning you can't leverage a trade-in vehicle. People with poorer credit can have trouble leasing, too. Calculating how much you drive is critical before deciding to lease. You are penalized for going over, and do not get credit for any unused miles.

Taxes and Dealership Fees

Unfortunately, the sticker price is not always the final price of a new vehicle.

The sum of what you pay, the dealer's so-called "out-the-door price," always includes a number of surcharges. Here's what to look out for.

DEALERSHIP FEES

Dealers typically handle registering a new vehicle, creating the title and assigning a license plate through your local department of motor vehicles — for a fee, of course. The more expensive or heavier your new ride is, the higher your registration fee will be. Be aware that automobile manufacturers sometimes bundle their ad costs into individual contracts. Trade-in fees are also built in to cover any costs associated with getting your old car ready for resale. Documentation fees cover the paperwork that dealerships must deal with to complete these sales — and they can really add up. That's because "doc fees" aren't always limited by state law. Still, they can be negotiated. Also be on the look out for extraneous additional costs, including "dealer prep" and local versions of advertising fees.

SALES TAX

Some sort of sales tax will be part of your cost in purchasing any new vehicle. Research these rates before you arrive, since they can change by state,

county or even city to nearby city. Rebates and customer-cash deals are often used as incentives to buy, but remember that rebate offers also sometimes require buyers to pay taxes before the discount is applied. So, you'll get the \$30,000 car for \$28,500 — but

still pay taxes for the full \$30,000.

Those with trade-ins get a tax break in many states, only paying taxes on the difference between the new and old car.

ASK AND NEGOTIATE

Be prepared for some com-

bination of these taxes and fees when budgeting for your next car or truck.

Ask the salesman to break down any additional costs that could appear on your closing documents. If possible, pay these fees up front, rather than adding them to your car loan.

Over time, every one of those dollars will cost you far more when compounded with interest. Interest rates can also be set by the amount you finance, so it's smart to keep that number as low as possible. Read the fine print, and don't be afraid to haggle.



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What to Ask the Salesperson

Small details can be the difference between a good deal and a great one when buying a new vehicle.

Don't let the excitement of a new ride distract you from asking the right questions.

REBATES AND INCENTIVES

Begin by asking about dealership and manufacturer incentives, including which can be combined and how long they will be offered. Some are only available if you lease, or if you finance through the manufacturer. They may not always be advertised, in particular if it's the end of a sales period or if there is suddenly a high-inventory issue with a certain make or model. In some cases, there are even cash-back rebates that are paid after you buy. Just keep in mind that you may still be taxed for the entire original price.

WARRANTY COVERAGE

Almost every dealership car is backed by some sort of warranty, either by the manufacturer (for new cars) or by the brand or dealership (for used). The details on what's covered are different on a case-by-case basis, however, so get all the specifics you can. Is your warranty bumper-to-bumper, or limited to the powertrain? If you know exactly what you're



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responsible for fixing, you'll be in a better position to create a repair budget for down the road.

MAINTENANCE COSTS

New owners are typically required to schedule service exclusively through the dealer. Even with older models, you

may be forced to use specific parts or fluids in order to keep the vehicle in good running order. Ask the salesman what specific maintenance and general-repair costs are associated with your potential purchase. Something as simple as an oil change that isn't covered could cost a lot more

than you're expecting.

FULL PURCHASE AGREEMENT

Ask to examine the entire purchase agreement, which will list the price of the vehicle as well as all taxes and fees to be included in the final price. Be on the look out for add-on

costs or services that you didn't ask for. Pay close attention to the specific terms of your auto loan, including the number of months, the interest rate and any pre-payment penalties. Remember, the longer you extend your car loan, the more accrued interest you will end up paying.

Improving Your Credit

The vast majority of American car buyers will finance their new vehicle in 2022, making a good credit score essential.

Bad credit can lead to higher car notes — or you might get turned down entirely. Here's how to improve your credit.

WHY YOU SHOULD

The better your credit score, the lower your interest rate and that will end up saving you big bucks over the life of your vehicle loan. But first you've got to get the loan, and your credit comes into play there too. A good score shows a lender that you are responsible with money, and reliable enough to make car payments in a timely manner. That makes you a safer bet for a loan. Check your score before beginning the search for your next vehicle, and if it's not where you'd hoped, make improvements before going through the financing process at a dealership.

START WITH THE REPORT

Top lenders almost uniformly rely on FICO scores, which are determined using these five factors in order of importance: Payment history, credit usage, how long you've had your credit accounts, the mix of credit debt, and new credit inquiries. That provides a roadmap for improvement.

Along the way, remember to monitor your report closely, and ask that any inaccurate items are removed — especially a late payment.

PAY ON TIME

It sounds simple enough, but don't be late. So-called "slow pays" can have huge negative impact on your credit

rating. Thankfully, today's technology can help, whether through reminder features or by setting up automatic bill paying. If you're less technically savvy, create a new filing system for keeping track of your monthly responsibilities. Avoid late payments and you'll be one step closer to securing that new ride.

LOWER CREDIT CARD DEBT

Lenders are unwilling to loan money to people who are already carrying too much debt — and credit cards are typically the culprit. Begin by limiting your credit purchases, and applying any additional funds to pay down the bills you already have. If necessary,

make cuts elsewhere in your budgeting. Pay off smaller debts first, then use the extra money to keep chipping away at bigger bills. Once you've got this debt under control, begin making small charges again — like a trip to the grocery store — so that you can pay the bill off entirely each month. Your numbers will improve.



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The Best Time To Buy

So much is out of your control at a dealership, from market pricing to available makes and models. One of the things you can control is timing, and it might just play a huge role in getting a great deal.

Here's a look at the best time to buy a new car.

DURING THE WEEK

Busy people who are in the market for a new vehicle tend to head to dealerships on Saturdays and Sundays, when they're off work. Stopping by during the week won't necessarily garner a one-of-a-kind deal on the car or truck of your choice, but you are sure to have a more personalized experience — and maybe that leads to a more favorable negotiation. If your local dealerships aren't open on Sundays, remember that Monday ends up being pretty busy. In that case, consider shopping on Tuesday or thereafter.

THE END OF THE MONTH

Salespeople often have monthly quotas that dictate pay or performance evaluations, so the last few days of an otherwise-average April or May might prove advantageous for a buyer. Someone who is eager to boost their sales figures could be ready to make a deal.



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They might deeply discount a vehicle, making up for lost money with a portion of their bonus. Test drive the car or truck you're interested in beforehand, then close the deal as near to the 31st as possible.

LATE IN THE DAY

A salesperson who's gone

all day without putting someone in a new car or truck might just be inclined to sweeten the pot. So consider stopping by closer to quitting time. Similarly, look for vehicles that are late in their design cycle — meaning they're due for a redesign — or late in their lifecycle. Discontinued vehicles are

always great guys.

BEFORE YOU NEED ONE

It sounds counterintuitive, but last-minute vehicle purchases can actually lead to buyer's remorse. You don't have the time to properly research, or shop around enough. Lack of preparation might lead to stumbles in

negotiating price, too. You also don't have any leverage if you waited until your old car had to be towed to the lot, since now the trade-in value is practically nil.

Start early, and you'll know precisely which make and model is right for you, and whether it fits into your personal budget.