



**New Car**  
Buying Guide

# Tips for First-Time Car Buyers

Buying a care for the first time can be tantamount to the first time juggling knives.

Kelley Blue Book is there for you with some tips for first-time car buyers.

## **ESTABLISH A BUDGET**

Ideally, you're buying with cash, but not just everyone is carrying around thousands of dollars. If you'll be financing your purchase, balance your cost-of-living expenses – your rent or mortgage, food, health insurance — against what is left for a car payment, insurance and gas.

## **ESTABLISH YOUR TRANSPORTATION NEEDS**

The flashiest wheels on the market might be par excellence and turn heads, but will it work for you for daily transportation? Don't buy what you don't need.

## **IDENTIFY AND PRIORITIZE YOUR WANTS**

Making a sensible purchasing decision doesn't mean you shouldn't pay attention to what you want. Better to stretch a bit for those things in a car that satisfy you, than to be hit over the head with buyer's remorse.

## **DO YOUR RESEARCH**

There is a lot of information available on new cars and late-model alternatives. Balance it with your instincts



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— or those instincts of someone whose gut you trust. Also, ask someone about their experience owning of a car in which you are interested.

## **LOCATE A CONVENIENT DEALER**

When weighing choices, compare dealer locations and showroom environments. It's best to stay away from dealerships where two-thirds of the

sales staff is sitting or standing at the front entrance.

## **TAKE A TEST DRIVE**

How you feel behind the wheel is a major factor in your buying decision. Many variables come into play, such as seat height, wheel adjustment, steering feel, outward visibility, control layout and more. Take at least half an hour in the car, and try arrange to

drive the car in both stop-and-go traffic and on the highway.

## **DETERMINE THE PROPER PURCHASE PRICE**

There are many online services that can help give you an idea of what people have paid in your area for a car in which you are interested. A credit union should also be able to provide you with perspective.

## **SECURE FINANCING, OR KNOW YOUR OPTIONS**

There are a number of resources in financing. That, however, can be mitigated by a lack of credit history or marginal credit history. The last thing you want is a finance and insurance representative holding all the cards. Better to line up financing in advance with your credit union, bank or insurance provider.

# Used vs. New Cars

When purchasing a car, deciding between new and used is a big decision.

The U.S. News & World Report offers some advantages to buying new..

**There's no history.** You don't have to fret about how the previous owner treated the car. Did he do the maintenance. It's true, however, that it's easier than ever to review a used car's history.

**It's easier to buy a new car.** You won't have to spend time or money researching a car's history and getting inspections. You won't have to wait for a title to come from a used car owner's lender, and dealerships will typically handle all the paperwork involved in the transaction. You could theoretically walk into a dealership and complete your transaction in one visit. Some dealerships even offer the ability to handle the paperwork online and then deliver the car to your home or workplace at your convenience.

**You can get new car deals.** Automakers offer incentives to buyers when they're having trouble moving certain models, or when a newer model of a certain vehicle is coming out soon. (Note that while this is typically the case, the demand created during supply chain interruptions during the COVID-19 pandemic have put a damper on some discounts.) Check your preferred brand's website to see what kind of



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incentives they're currently offering.

**New cars are cheaper to finance.** With new cars, the value of the lender's collateral (the car) is easy to determine.

This may not be the case with a used car. New car loans are also a safer bet for lenders, as buyers are more likely to repay those loans. This all adds up to lower interest rates

than you will likely find on a used car.

**You can get the latest technology.** If you're the kind of person who likes to have all the newest bells and whistles,

buying a new car will ensure you get the latest technology in the marketplace. Each year brings new developments in safety, entertainment, connectivity and efficiency.

# Buying Online vs. the Dealership

The biggest difference between buying a car online instead of going to a dealership is the shopping experience. You still need to test drive the car and negotiate your price.

Here's a comparison of the differences with input from Finder.com.

## **COST**

The price you ultimately pay for a car will depend on your negotiating skills. At a dealership you can negotiate the old-fashioned way. Online, dealerships have specially trained online salespeople who can offer special discounts. On the other hand, an Internet search may turn up only the average selling price of a vehicle. If you visit the dealership, you can see the actual vehicle for sale, along with its features and selling price.

## **TURNAROUND TIME**

Buying a car online can be faster. At the dealership, there could be multiple rounds of negotiations, which can take time. Online, that's less likely to be the case.

## **FINANCING OPTIONS**

If you have credit challenges, it might make more sense to start your purchase trans-



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action at a dealer. This is because different dealers have different financing relationships with banks and credit unions. If determining where you can get the best financing option is your first priority,

you might want to start your buying process in person with a dealer to best understand what they can offer.

## **HOW IT WORKS**

Not being able to take the

car for a test drive first is an obvious drawback to an online purchase. It is absolutely imperative to understand the return policy when going this route. Can you return the vehicle for any rea-

son within a certain period (usually three days)? Is there a limit on the miles you can drive the car before you make your decision. Do your homework and be prepared before you start shopping online.

# Avoid Overpaying

Good financing is the bedrock of a good car deal. Missteps could cost you thousands.

Consumers know that low interest rates are desirable, but there are other critical factors to consider when securing financing for a new car.

Car-buying experts and industry insiders recommend key strategies to prevent costly mistakes. Nerdwallet explores.

## **AVOID LONG LOAN TERMS**

The average car loan term has stretched to an all-time high of 69.3 months, an increase of 6.8% from five years ago, according to Edmunds.com. The longer the term of your loan, however, the more likely you'll be upside down on your loan, or owe more than the car is worth. You'll also pay more interest over the life of the loan. Edmunds recommends financing a new car for no longer than 60 months and a used car for no longer than 36 months.

## **SHOP FOR THE BEST RATE**

Apply to multiple auto lenders to compare their offers and get the best rate.



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This can include lenders who work with the dealer, as well as banks or credit unions with whom you already have a relationship. (Having multiple loans with one lender can score you an interest charge discount.)

## **DON'T FOCUS ONLY ON MONTHLY PAYMENTS**

A low monthly payment is great, but consider what you

might be trading off in the long term. Will you have lower payments but a longer loan term, which might mean paying more interest? If you focus on the monthly payment, you could make sacrifices in other areas that will cost you more down the road.

## **WATCH OUT FOR SURPRISE FEES**

The drive to compete for

the lowest online or sticker price has led some dealers to add on surprise fees. Make sure you understand any fees the dealer charges, and be on the lookout for accessories or services that might be automatically added to the contract. Banks, credit unions and online lenders may charge origination fees. Also be on the lookout for bank fees that you might have to

read the fine print to identify, such as prepayment or origination charges.

## **REVIEW VITAL LOAN TERMS**

Once you've entered into a loan or lease, you can't change the terms. Review all of the crucial figures carefully, such as the interest rate, loan term, monthly payment and any fees, before you sign.

# Benefits of a Down Payment

A down payment is money paid upfront when you buy a vehicle.

A down payment will save you money on interest, help keep your monthly payments low and prevent you from getting under water — or owing more than your car is worth.

Credit Karma outlines the benefits of putting money down on a vehicle purchase.

## **LESS INTEREST, LOWER PAYMENTS**

Any money you pay toward the principle of the loan as a down payment will reduce the amount of interest you pay over the life of the loan. This can save you hundreds of dollars.

According to Credit Karma, a down payment of 20% of \$6,000 on a \$30,000 vehicle could save you \$711 over the course of a five-year loan at 4.5% interest. On the same loan, your monthly payments could be \$112 less per month with a \$6,000 down payment.

## **MORE LOAN OPTIONS**

A down payment may make you a more attractive borrower to lenders. This means you're more likely to get approved for a loan and may get a lower interest rate. This is particularly true if you have a low credit score or other credit challenges. Without a down payment, the risk to the lender that you might default

on the loan is higher.

In addition, some dealers financing programs with low rates or other incentives require a larger down payment.

## **YOU CAN OFFSET DEPRECIATION**

Vehicles typically lose around 15% of their value each year, but new cars can lose

25% or more of their value in their first year, according to Credit Karma. Making a down payment could help prevent you owing more than the car is

worth down the road. If you've ever been upside down on a car, you know that it can cause difficulties with selling or trading in the vehicle later.





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# Don't Forget the Leftovers

If you're allergic to sticker shock — who isn't? — leftovers might hit the spot.

No, we're not talking pizza, though we're also not against it. A vehicle is considered a leftover when the next year's models begin showing up on dealer lots, no matter if the leftovers are still current-year vehicles. The result is that deals — better deals than you can

get on any pizza — start emerging.

## WHEN THE LEFTOVERS BEGIN PILING UP

Manufacturers usually unveil their new models between August and November, but it could happen as early as January. Manufacturers fret when last year's models take up space on the lot and compete with the newer models. They typically will make incentives available on the leftover models, espe-

cially toward the end of the year.

## DEALS, DEALS, DEALS

Due to incentives, a new vehicle that's one model year old will typically save you money. Be careful, however, that you know what you're getting into. The vehicle is considered to already be one year old, even the day you drive it off the lot, so depreciation could hit you hard. You'll also be stuck with whatever colors and options are available at the

time you're ready to buy.

"You really need to figure out which model or models you're interested in buying, and start tracking the inventory," says Gregg Fidan, founder of RealCarTips.com, tells Capital One. "When the leftover inventory is between 10% and 20% of the latest model year, that's when you can get optimal deals. And by optimal, I mean buy a leftover with colors and options that you actually desire."

# Understand Car Safety Ratings

If you're buying a new car and safety is one of your top priorities, it's crucial to understand how cars are rated for safety.

In the United States, the Insurance Institute for Highway Safety tests passenger vehicles for safety and assigns them a rating.

IIHS describes itself as “an independent, nonprofit scientific and educational organization dedicated to reducing deaths, injuries and property damage from motor vehicle crashes through research and evaluation and through education of consumers, policymakers and safety professionals.”

IIHS tests evaluate a car's crashworthiness — how well it protects its occupants in a crash — and its crash avoidance and mitigation — or technology that can prevent a crash or lessen its severity, according to IIHS.

The organization also awards the Top Safety Pick and Top Safety Pick+ designations.

## TYPES OF TESTS

IIHS conducts tests for frontal crash, side crash, roof strength, head restraints and seats, front crash prevention, headlight evaluation and Lower Anchors and Tethers for Children (LATCH) evaluation. IIHS purchases vehicles from the dealer just like a consumer would.

## THE RATINGS

You can search any vehicle's ratings on the IIHS website (IIHS.org). For each test type, the website lists a rating of good, acceptable, marginal or poor, based on the test results. The website also lists available safety features on

each model, such as daytime running lights, blind spot warning, lane departure warning and lane departure prevention, making it a valuable shopping tool for anyone who is safety conscious.

The website also offers other measures of safety for

vehicles, such as insurance losses by make and model, and driver death rates for more than 200 models.

## RECALL NOTICES

Another way to do your homework on the safety of a vehicle is to check for recalls.

Enter the vehicle's vehicle identification number, or VIN, at [www.nhtsa.gov/recalls](http://www.nhtsa.gov/recalls). The website archives recalls issued for most consumer vehicles over the past 15 years, as well as car-related products such as car seats, tires and equipment.

