



Used Car BUYING GUIDE

Used Car Checklist

You might think of personal style first when imagining the perfect used car, but it's also about finding something that fits your budget and lifestyle. Here's how.

MILES PER GALLON

Begin by looking beyond the sticker price. Your gas mileage can have a huge impact on the household budget, so it's important to also keep in mind the efficiency of any prospective used car. This is especially true if you have a lengthy regular commute. A reliable source of information for the data you need is FuelEconomy.gov, which allows you to search for cars by make, model and year. Gas-mileage ratings are measured on this federally managed site by the U.S. Environmental Protection Agency. Keep in mind, however, that there can be some variance on miles per gallon, based on the climate where the owner lives, wear-and-tear and how conscientious the previous owner was about maintenance.

INSURANCE PREMIUM

Again, this goes to pocket-book choices, rather than lifestyle choices. That shiny red sportster will certainly look great in the driveway, but you might also see your insurance



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premiums soar. Can you afford that? Rates vary greatly depending on the vehicle, as do deductibles. Discuss buying a high-performance or sportier vehicle with your insurance agent before you open your checkbook. They can give you a concrete idea about the costs you'll have to manage.

RELIABILITY RATING

Owning a used car that provides long-term reliability is its own kind of money saver. Consumer Reports remains a leading expert on which vehicles are going to stay on the road the longest. Things like regular maintenance will always come into play, but these ratings give you a good

jumping off point early in your search. Buying a car with the great reputation for reliability can give you a little more confidence in your choice.

RESALE VALUE

Some brands and makes maintain a higher value over the years, while others fall

quickly behind. This information is critical too, since you're likely to sell the car at some point in the future. Sources like Kelly Blue Book or Edmunds are great places to start. The higher your used car is valued over time, the better your return on investment will be when it's time for the next one.

What Is Certified Used?

The biggest worry with used car buying has always been the risk of getting stuck with someone else's old lemon. Certified used cars take away some of that stress.

GETTING CERTIFIED

Used car-certification programs vary widely, so be ready to ask the right questions. A thorough inspection is the key to achieving this certification, so find out who performed it. Factory inspections involve the manufacturer who originally built the car. Dealer inspections are performed in-house, while independent inspections are contracted out to third-party companies who inspect and certify the vehicles.

Contact the inspecting entity and ask for a detailed report on what exactly was checked, what passed and what's not covered. Then don't be shy about getting a second opinion from your own trusted mechanic.

FINANCING AND WARRANTY

Next, ask whether their program includes an extended warranty or low-interest financing. The fine print will give you an idea of the difference in pricing for certified and non-certified cars of the same make, model and year.



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Certified cars should have better terms and longer warranties than their non-certified counterparts. Savvy shoppers end up paying less for a car that's far more reliable. The dealer may simply extend the new-car warranty, add additional benefits or in some cases extend the warranty to bumper-to-bumper coverage — even if it's already expired under the original policy.

TRANSFERRING BENEFITS

Every certified used car agreement comes with limitations and exclusions. Read everything thoroughly to find out how your prospective car is to be paid for and covered. There may be mileage limits, for instance, rather than a warranty end point based on a month or year. You'll also want to ask about whether

you can transfer the certified benefits to a new owner, should you choose to sell the car before the warrant expires.

That piece of information becomes an excellent sales point that might fetch a higher resale price.

IS IT NATIONWIDE?

Finally, ask if the manufacturer's warranty is nationwide

through the brand's network of dealerships. Having access to service departments across the United States makes decisions to travel on vacation, to transfer to another job, or to sell the vehicle a little easier to make.

You'll have peace of mind knowing that your certified used car can be easily repaired if something were to unexpectedly fail.

Soaring Used Car Sales

The pandemic had a direct impact on used car sales, as supply chain disruptions created component shortages that slowed new vehicle manufacturing.

As prices rose, demand — and prices — for previously owned cars shot up. Here's a look at the trend.

INSIDE THE NUMBERS

New car pricing increased faster than the overall inflation rate in America, sending the consumer-price index for used cars up an astounding 39%, according to the U.S. Bureau of Labor Statistics. That created a very abnormal situation in 2021, as used cars actually appreciated in value when they traditionally depreciate on a steep decline. Prices increased 32-36% last year, according to experts like Edmunds and CarGurus. The changes were even more remarkable on the wholesale side, with used car prices soaring more than 50%. As those costs rose, so did retail prices. The president moved to keep the Port of Los Angeles open 24 hours a day in an effort to alleviate some supply issues, but that hasn't opened other bottlenecks. Production of auto parts is a continuing issue.

OUTLOOK FOR 2022

As some of the kinks work



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themselves out on the supply side, demand for used cars could cool as 2022 unfolds. At the same time, interest rates for auto loans hit rock bottom, making it a great time to consider a more affordable previously owned vehicle. Automotive News analysts are now seeing signs of recovery with new car manufacturing,

meaning used vehicle sales could eventually normalize again. Still, they caution that we are not there yet. Chip and semiconductor shortages are expected to continue until at least 2023. A definitive timeline simply isn't available at this time. CarMax is predicting the current situation will continue "well in 2022."

BUYING SMART

It's never been more important to shop around, since used cars remain such hot-ticket items. Look for inventory that's been on a dealership lot for a couple of months or more, according to AlixPartners. That's where the deals are to be made.

You'll still need some nego-

tiating skills, however, since there will be fewer cars to sell for the foreseeable future. Timing could be everything, as markets tighten further when people receive their tax refunds.

Also, be on the lookout as 2022 progresses since there is the threat of rising interest rates.

Getting a Feel For the Car

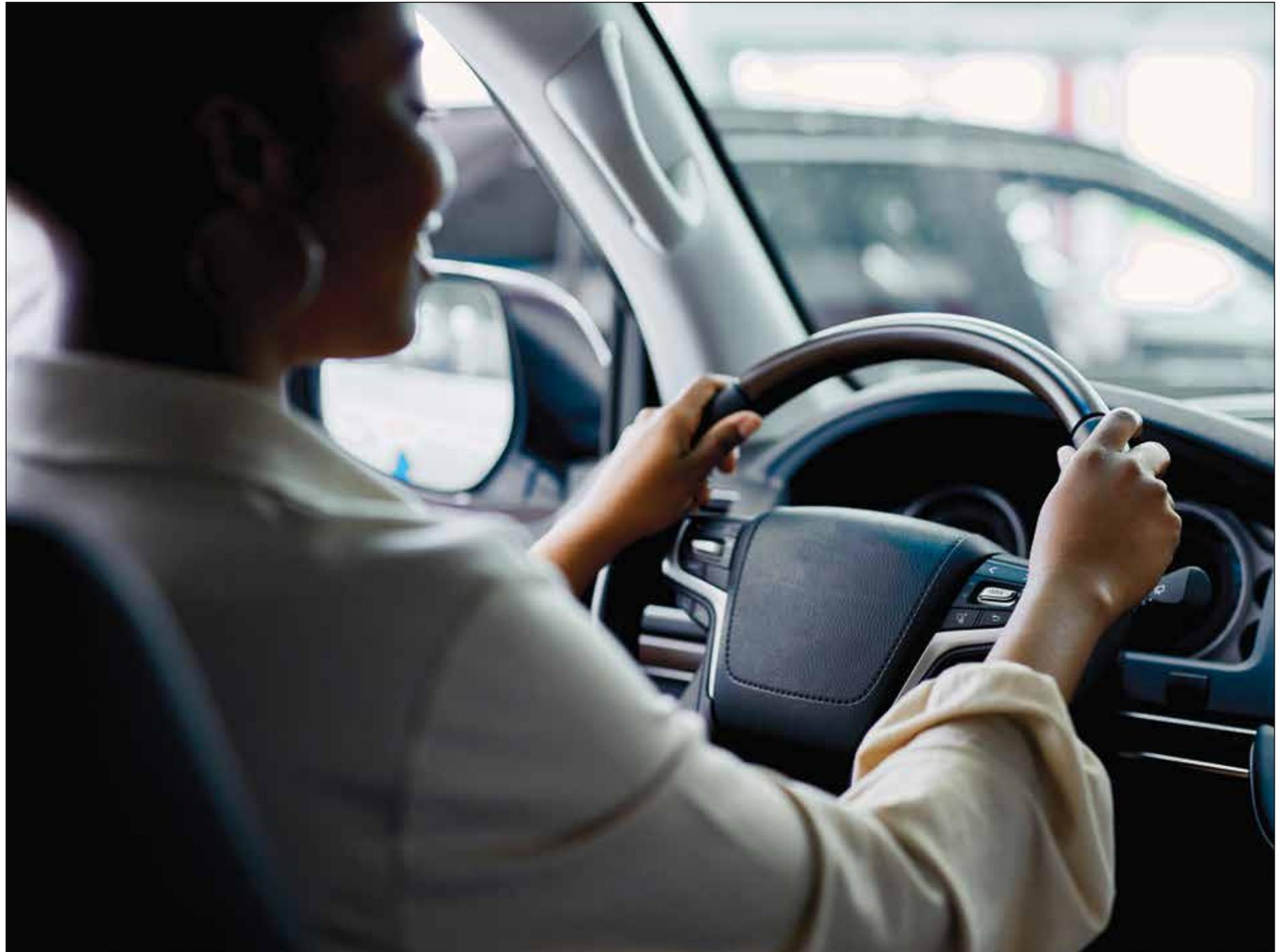
The internet has become a powerful tool for researching any prospective used car. But you still have to get behind the wheel to really judge if it's right for you.

WHAT TO LOOK FOR

Every used car has a certain feel. Sportier cars drive with a notable firmness, making crisp turns with precise handling. Larger sedans tend to float along the road, smoothly navigating whatever comes their way. Once you get inside the vehicle, pay attention to how you sit in the seat, and where all of the tools you need to drive are located. Note how it smells. If there is an overpowering scent of air freshener, the seller could be masking something more unpleasant.

INSIDE THE CAR

Your test drive begins before you put the car in gear. Test all shifters, switches, pedals and buttons — first seeing if they are at a comfortable distance. Next determine if everything is operable, including power windows and locks, turn signal, wipers, air conditioning and heating, and radio and other audio components. Keep the windows open, since fresh air will uncover any tucked-away smoke or moldy smells.



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ON THE ROAD

Map out where you plan to drive your prospective buy, so that you're testing the used car in a wide variety of situations and speeds. See how it handles in traffic, in turns and on the highway. Driving 55 miles per hour or more will reveal front-end issues in the

form of shaking. If the steering-wheel is vibrating, there are issues to be resolved — perhaps minor, perhaps not. Note if the car pulls in one direction or another, how the transmission shifts and if there are any unusual sounds during acceleration. In-town traffic situations will reveal

issues with braking. Make sure that the pedals are firm, and that the car comes to a smooth stop.

AFTER YOU DRIVE

Get out and re-enter the car in the backseat to make sure they're a good fit, as well. Walk around the car one last

time, evaluating the exterior for any issues you might have missed the first time around. Leave the engine running, so you can listen one last time for anything unusual. Watch for excess exhaust, and look for puddles or leaks under the vehicle. If it all checks out, then you're ready to talk price.

Understanding Depreciation

Unfortunately, cars begin losing their value as soon as they leave the lot.

From there, some continue this process of depreciation faster than others. Here's why.

WHAT IS IT?

The monetary difference between what you originally paid and what you later sell a vehicle for is called its depreciation. Used cars continue to drop in value as they pile up the miles, but not all of them depreciate at the same rate. Any research you do into a possible used-car purchase should involve finding out the its assumed depreciation rate. It is determined by the quality of the car's manufacturing, typical repair expenses, any design flaws and mileage, among other factors. There are various free calculators available online that make it easy. They use a formula which assumes an average of five years of ownership.

WHAT TO LOOK OUT FOR

If you're considering a luxury sedan, be aware that they dominated the top five fastest-depreciating cars list in 2021, taking four spots according to U.S. News and World Report. These cars are often leased, which can lead to gluts of available vehicles. The more choices, the lower the price. It also costs more to operate a luxury car, a turnoff for some buyers. Compacts or



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subcompacts lose their value fastest among cars that are priced under \$25,000. Government incentives initially drive up value in the electric-vehicle segment, but those benefits aren't offered to used car shoppers. Sometimes, it can come down to something as simple as

color: Tried-and-true options like black, blue and silver have better resale value. Whatever you buy, try to keep the mileage as low as possible, and be consistent with maintenance.

GUESSING GAME

In some cases, however,

calculating how a car will depreciate is simply impossible. No one could guess, for instance, that a global pandemic would strike and then send fuel prices skyrocketing. Those kind of market fluctuations can have a direct impact on demand, in this case for gas-guzzling larger vehicles.

When prices fall, economy cars might begin to depreciate faster.

Cars that have not been kept in stock condition — in particular with the addition of owner-specific items like body kits, tinting or flashy wheels — can become more difficult to resell.

Doing Your Due Diligence

Information about a possible purchase was once much harder to come by. Thankfully, the days of flipping through car magazines or word of mouth are long gone. Try these online sources.

CONSUMER REPORTS

Located at consumerreports.org, this magazine has long published unbiased reviews of both used and new cars. Consumer Reports is able to provide such reputable information because they actually purchase the vehicles they test. They also gather extensive data based on surveys of real-life used car owners, so you'll get targeted information from people just like you about any car you're thinking of buying. Some content has been placed behind a paywall, but all of it works as an important tool in decision making.

KELLEY BLUE BOOK

This resource originally grew in popularity among used car dealers who were trying to determine how much to pay for vehicles that were put up at auction. Now found at kbb.com, the Kelly Blue Book has become widely used by every-day shoppers. The average prices for count-



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less used cars are available, based on miles, make and model. Easy to use and free, kbb.com is a great place to start any car search since you can get a fair-price estimate to begin negotiations.

EDMUNDS

Edmunds.com has more recently emerged as an authoritative site for budgeting your car purchase thanks

to their True Cost to Own calculator. It calculates the operating expenses of any prospective buy, factoring in additional costs like insurance, taxes, repairs, fuel economy and depreciation.

You'll get a much better idea of what you'll actually be paying, beyond the sticker price. You'll also learn how much these sometimes-hidden expenses may vary

depending on the model.

BLACK BOOK

Your local dealer might refer to a used car's Black Book value, which can be confused with the Kelley Blue Book but has a separate origin story. The Black Book was once an actual black book preferred by car sellers because it contained constantly updated weekly values

for vehicles across the country. This information is now available to anyone, on a multi-level subscription basis, via blackbook.com. You can join dealers by taking advantage of the main subscription option to calculate pricing from a database with more than 32,000 used vehicles dating back to the 1981 model year. Roughly 1,000 valuations are added per month.

Getting It Inspected

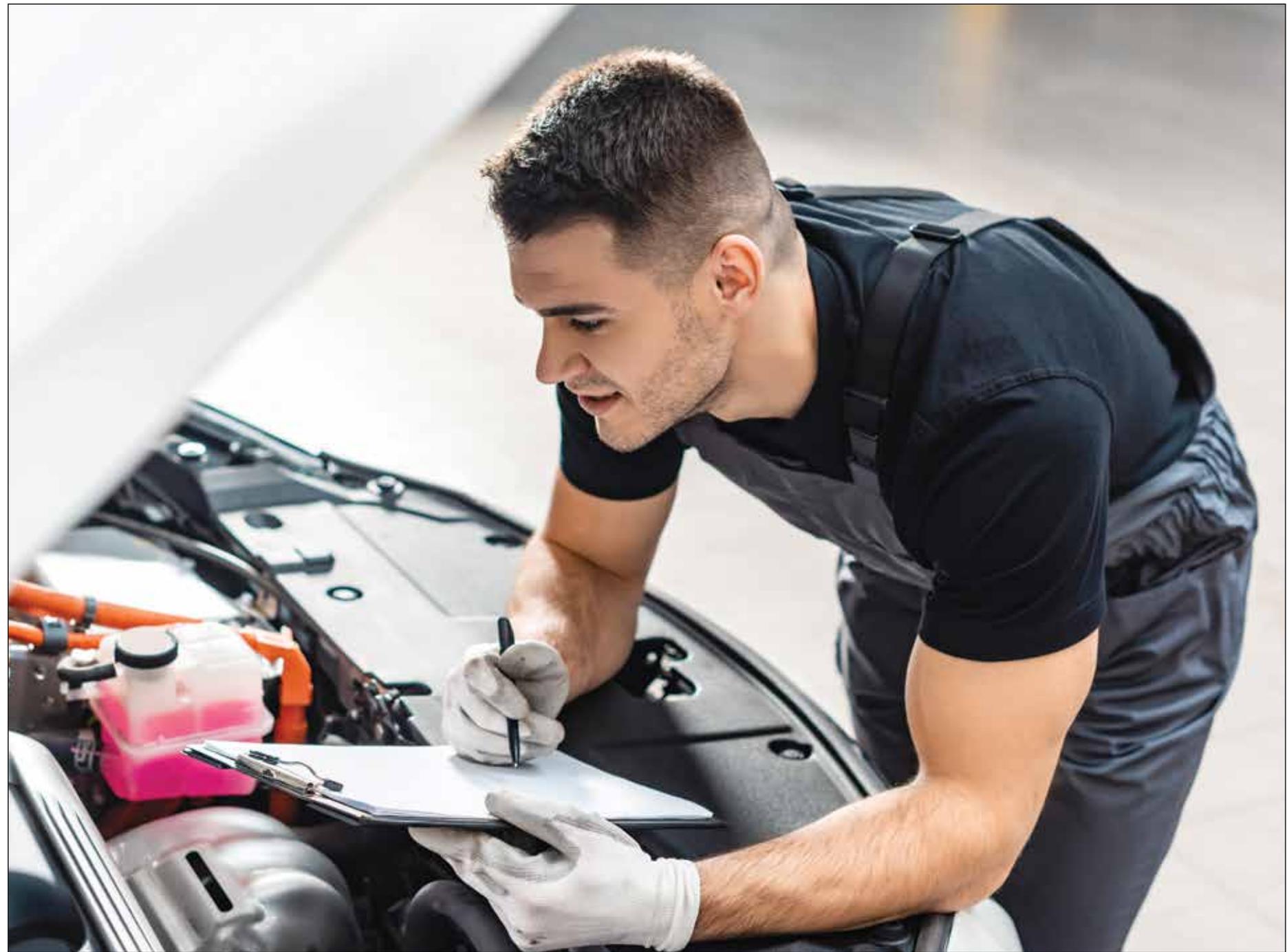
Unless you are actually a certified mechanic, it's best to get an used car checked out before you buy.

WHY IT'S IMPORTANT

You may fancy yourself a car enthusiast. You may even have a buddy who's tinkered around on an engine or two. But neither of you is qualified to make the kind of comprehensive evaluations required when buying a vehicle. For instance, the car might look pristine while having suffered hidden flood or frame damage. Find a professional mechanic, even if you're considering a certified used car, so that they can conduct a thorough inspection before you sign anything. They'll have the kind of experienced eye that sees what's currently wrong with a vehicle but also what might go wrong in the future.

WHAT TO LOOK FOR

Your mechanic should look over the car from top to bottom, providing a multi-point inspection list that illustrates what they tested — and what they didn't. Your report should confirm that there are no issues with the engine, frame or body. They should verify that all equipment is functional, including the options, while also explaining the condition levels of things like tires and hoses. Have them



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check the on-board computer's trouble codes, too. You should get a similar list before any certified-used sale. Be on the look out for key things that haven't been evaluated, or that aren't covered under warranty. If the inspection comes back with satisfactory marks, you're good to go. If there are issues, you can not

negotiate a price that offsets repair costs — or simply walk away.

DIGGING DEEPER

Even the sharpest mechanic might not uncover a vehicle's well-hidden past. Run a history report through a service like Carfax to uncover things like previous accidents,

mileage discrepancies or water damage. You can also learn how many people have previously owned the car, and whether inspections were kept up to date. The National Motor Vehicle Title Information System likewise maintains a website at vehiclehistory.gov which provides title, salvage and insur-

ance-loss information. You'll need the car's one-of-a-kind vehicle-information number to complete the search. Keep in mind, however, that your results are always limited to events submitted to reporting agencies. Vehicles can be repaired and sold before records are updated in any database.