

Saving on Auto Purchases

Quiz

- Why are you buying a car?
- What are you planning on buying?
- Where are you buying it from?
- When do you plan to buy or lease?
- How much do you plan to spend?
- How will you pay for it?



Overview: Car Buying Timeline

- 8 to 12 months prior to purchase:
 - Save as much as possible for the down payment.
 - Review and, if necessary, work to improve credit.
- 3 months prior to purchase:
 - Decide what kind of car you need and research prices.
 - Analyze your budget and determine how much you can afford to spend.
- 1 month prior to purchase:
 - Look into interest rates and get pre-approved for the lowest rate possible.
- 1 week prior to purchase:
 - Call or visit various dealers to negotiate prices and get different offers.
 - Weigh your best options before making a decision.

Web Resources

- www.AmericaSaves.org and www.okaloosasaves.org provides tips on saving for a down payment.
- www.annualcreditreport.com: Check your credit score here, and get started on improving it if necessary.
- www.kbb.com: Kelley's Blue Book website offers standard prices for new and used cars.
- www.nada.com: The National Automobile Dealers Association website gives dealer prices.
- www.edmunds.com: Offers prices for new and used cars, and also provides expert and consumer reviews and rankings.
- www.solutionsforyourlife.com – Financial education and more
- www.UFYoungInvestor.org – Financial calculators to determine monthly payments and information on saving/investing.

* Materials adapted from America Saves on car purchases.

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Ownership Costs

Note that some costs – like the license and registration fees – vary by state. Other costs vary according the type of car you buy. For instance, you will need to budget more for gas if you purchase a less fuel-efficient vehicle. Use the following chart as a guideline, and investigate variable costs like license and registration fees, gas, maintenance and insurance.

Make/Model	2008 Honda Accord EX, Automatic 2 dr.	2005 Honda Accord 2dr coupe, Automatic
Cost	\$22,745.00	\$14,193.00
Monthly Payment (financed over 60 months at 6.5%)	\$427.00	\$267.00
Florida, Registration Fees and Sales Tax	\$1700.00	\$1127.00
Insurance	\$1574.00	\$1617.00
Gas**	\$2324.00	\$2033.00
Maintenance (oil changes, tires, etc)**	\$154.00	\$684.00
Repairs**	\$0.00	\$19.00
Total monthly expense	\$907.00	\$741.00

**Based on driving 15,000/yr.; 10% down payment

* Figures obtained from www.Edmunds.com and www.ufyounginvestor.com

Interest Rates Comparison

Use this chart to see how interest rates affect both monthly payments and total prices. See how a low interest rate keeps your costs down.

Purchase Price	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Down Payment	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Amount Financed	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
<i>Interest Rate</i>	<i>6.0%</i>	<i>10%</i>	<i>14%</i>	<i>18%</i>	<i>22%</i>
Loan Term (months)	36	36	36	36	36
Monthly Payment	\$243	258.14	273.42	289.22	305.52
<i>Total Finance Charges</i>	<i>761.68</i>	<i>1293.04</i>	<i>1843.12</i>	<i>2411.92</i>	<i>2998.72</i>

Impacts of Shortening Loan Term (length)

Use this chart to see what happens when you stretch out the length of a loan. The longer the loan, the more you will pay in finance charges.

	3 Years (36 Months)	5 Years (60 Months)	7 Years (84 Months)
Amount Financed	\$20,000	\$20,000	\$20,000
Contract Rate (APR)	6.5	6.5	6.5
Monthly Payment	\$612	\$391	\$297
Total Payments	\$22,032	\$23,460	\$24,948
Finance Charges	\$2,032	\$3,460	\$4,948

Terms to Know

Wholesale Value	The starting point to estimate a used vehicle's value, depending on condition. Sometimes also referred to as "low book" value.
Invoice	The price at which a vehicle is sold from a manufacturer to a dealer. However, the dealer's actual cost is often lower than the invoice price because they receive discounts, rebates, and incentives.
Average Retail Value	The latest average value that a particular make and model has been sold from dealerships. Sometimes also referred to as "high book" value.
MSRP	Stands for Manufacturer's Suggested Retail Price. It represents the manufacturer's recommended selling price for a vehicle.
Base Price	The cost of a vehicle without additional options. Also called "sticker price"
Trade-in Value	The value a dealer assigns to your present vehicle. This is often below wholesale value, depending on the car's condition.
Interest Rate	The basic cost of borrowing money, expressed as a percentage, usually over a period of one year.
APR	The cost of borrowing money, expressed as a percentage, usually over one year, plus additional fees charged for originating the loan.
Finance Charge	The cost of borrowing money, expressed as a dollar amount. This includes not only interest, but additional fees charged for originating the loan.
Term	The length of the loan, generally expressed in months or years.
Document Fees	Fees that a dealership may charge for handling the paperwork required to draw up the documents for the loan and to transfer the ownership of the vehicle.

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