

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

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

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

\* Figures obtained from [www.Edmunds.com](http://www.Edmunds.com) and [www.ufyounginvestor.com](http://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.

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

## 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.

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

## Terms to Know

<b>Wholesale Value</b>	The starting point to estimate a used vehicle's value, depending on condition. Sometimes also referred to as "low book" value.
<b>Invoice</b>	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.
<b>Average Retail Value</b>	The latest average value that a particular make and model has been sold from dealerships. Sometimes also referred to as "high book" value.
<b>MSRP</b>	Stands for Manufacturer's Suggested Retail Price. It represents the manufacturer's recommended selling price for a vehicle.
<b>Base Price</b>	The cost of a vehicle without additional options. Also called "sticker price"
<b>Trade-in Value</b>	The value a dealer assigns to your present vehicle. This is often below wholesale value, depending on the car's condition.
<b>Interest Rate</b>	The basic cost of borrowing money, expressed as a percentage, usually over a period of one year.
<b>APR</b>	The cost of borrowing money, expressed as a percentage, usually over one year, plus additional fees charged for originating the loan.
<b>Finance Charge</b>	The cost of borrowing money, expressed as a dollar amount. This includes not only interest, but additional fees charged for originating the loan.
<b>Term</b>	The length of the loan, generally expressed in months or years.
<b>Document Fees</b>	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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