MOUNTAIN AMERICA
CREDIT UNION

www.macu.com | 1-800-748-4302

Auto Buyer's Guide

Getting the best car deal

Auto dealers do everything they can to make buying a car easy, but they also do their best to get top dollar from you. With a basic understanding of the auto-buying experience, you should be able to handle auto dealers and save yourself a lot of money.

How much can you really afford?

Before you start shopping for a vehicle, examine your credit history, check your income, get preapproved and consider how you'll use the car when determining how much you can afford. Be realistic and conservative with variable income, as it is not guaranteed. Keep all monthly payments, including rent or mortgages, below 40% of monthly take-home pay. Don't forget about other vehicle expenses. Consider the costs of licensing, registration, gas, maintenance, repairs and insurance.

Get preapproved first

Getting preapproved for a car loan gives you an upper hand during the price negotiations. Consider the loan amount and car price that's best for your budget. Keep the preapproved amount to yourself until after negotiations with the dealer are complete. This prevents the dealer from inflating the price of the car to match your loan amount.

New or used?

New cars depreciate the minute you drive them off the lot. In fact, your car may lose 20% or more of its original value in the first year. By the end of the fifth year, the value of the car may fall by an average of 35.1% from the sticker price. The pace levels off after five years, so try to keep the car at least that long to minimize the financial hit that depreciation has.

Even with some increased repairs and maintenance costs, you could spend less per year by buying a used car rather than a new one. Certified preowned vehicles offer the lower cost of a used car and the peace of mind of a factory-backed warranty of three months to up to 10 years. Do as much research on the history of the used car as you can. Some good resources are AutoSmart, www.autocheck.com, www.autotrader.com and your local Department of Transportation office.

Auto Buyer's Guide

Pricing...on the window sticker

MSRP refers to the Manufacturer's Suggested Retail Price. MSRP is the vehicle's published retail or base price, without additional options, destination charge or other fees. Dealers are free to sell the car at a higher or lower price—MSRP is simply the suggested price.

Optional equipment refers to features or packages for which you pay extra; you may be able to negotiate this price.

A **destination-charge fee** covers the cost of delivering the vehicle from the factory to the dealership. Destination charges are typically nonnegotiable and usually are the same cost for all models within a brand, regardless of the actual shipping distance.

A **market adjustment** is a fee the dealer adds on, typically to cars that are in high demand, to increase dealership profits. You can try to negotiate this figure. However, if the vehicle is selling well, the dealer doesn't have much incentive to work with you.

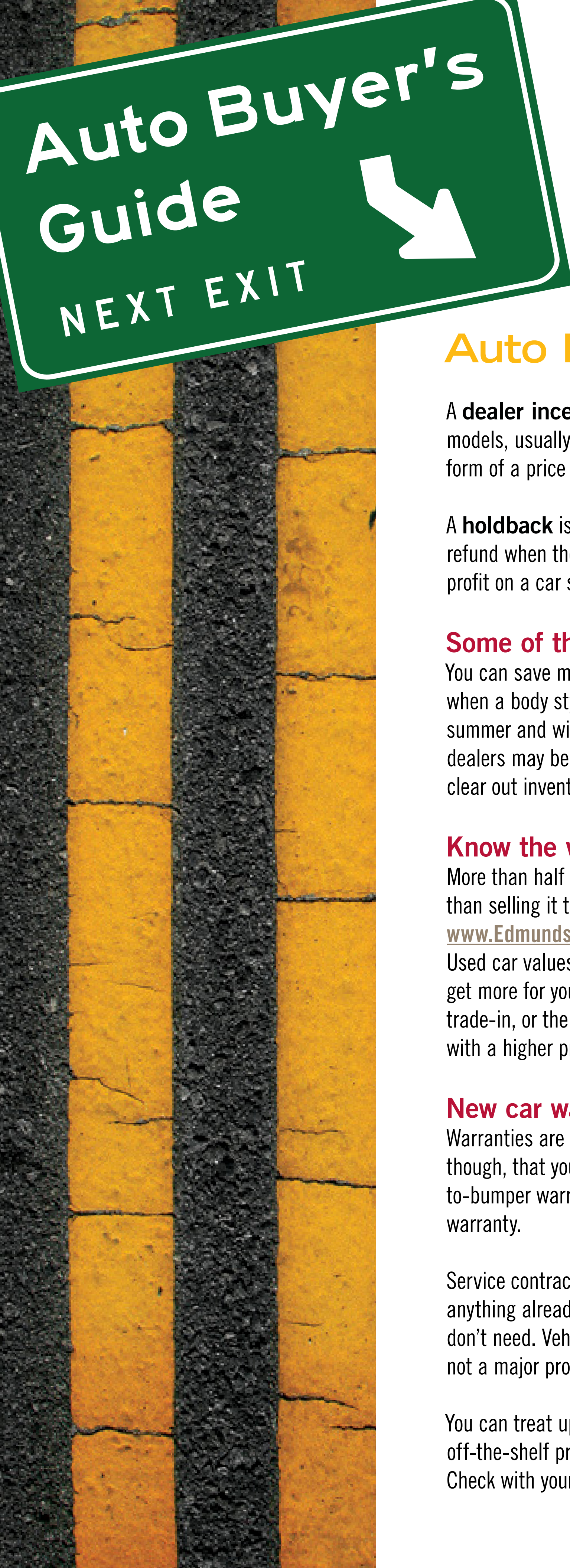
The **sticker price** is the total retail price for the vehicle, including MSRP, options, destination charge and market adjustments. Dealers try to sell the car for as close to this price as possible or offer you a token discount or manufacturer's discount.

Pricing...NOT on the window sticker

Dealer's true cost is the dealer invoice price (found at www.nada.com), minus any incentives and holdbacks. A close estimate of the dealer's true cost is included in Consumer Reports' "New Car Price Reports." Consider starting negotiations at 4–8% over the dealer's true cost. The true market value price reflects what others are paying for the car in your geographic area and can be found at www.Edmunds.com.

To get the best price, negotiate up from the dealer's true cost, rather than down from the sticker price.

A **rebate** is a direct-to-buyer incentive from the manufacturer. Disregard the rebates when negotiating with the dealership because you'll get it no matter what price you pay for the vehicle.



MOUNTAIN AMERICA
CREDIT UNION
www.macu.com | 1-800-748-4302

Auto Buyer's Guide

A **dealer incentive** is money the manufacturer pays the dealer for selling certain models, usually slow-selling models. This money can be passed on to the buyer in the form of a price reduction or kept as added dealer profit.

A **holdback** is a percentage of the MSRP that manufacturers offer to dealers as a refund when the car is sold, typically 2–3%. This means the dealer can still make a profit on a car sold for the invoice price.

Some of the best times to buy

You can save money by buying out-of-season vehicles or models late in the year, when a body style change is imminent. Customer incentives are typically higher in the summer and winter months. Consider buying near the last day of the month, when dealers may be eager to meet monthly quotas or at the end of the year, when dealers clear out inventory for tax reasons.

Know the value of your trade-in

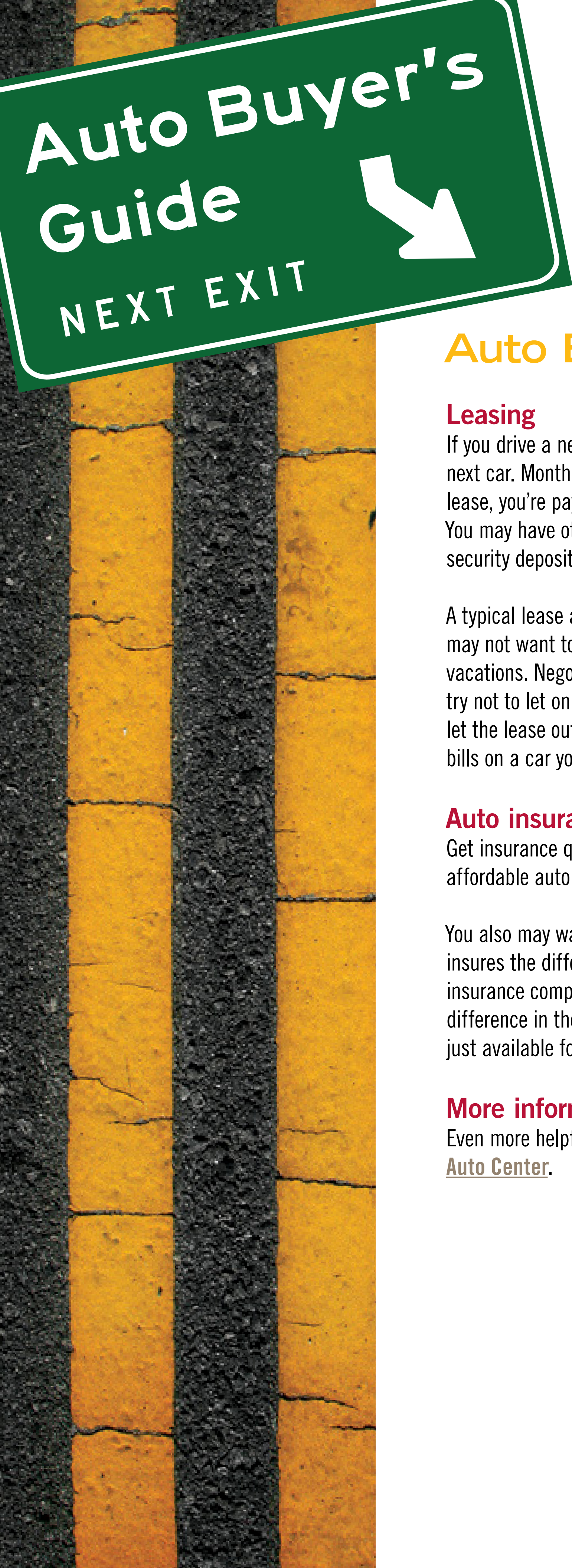
More than half of new car buyers trade in their old car because it's more convenient than selling it themselves. Research the value of your trade-in at AutoSmart, www.Edmunds.com, www.kbb.com or the classified section of the local newspaper. Used car values drop between October and December, so try to wait until January to get more for your trade. Negotiate the price of the new car before talking about the trade-in, or the sales person may give you a high trade-in value and make up for it with a higher price for the new car.

New car warranty and extras

Warranties are great options to consider when purchasing a vehicle. Make sure, though, that you understand what the warranty covers and does not cover. A bumper-to-bumper warranty may not cover everything. Ask for specifics on any kind of warranty.

Service contracts are usually priced at double the actual cost and do not cover anything already covered under the factory warranty. Also, do not pay for items you don't need. Vehicles' bodies are already coated to protect against rust, and rust is not a major problem with modern cars.

You can treat upholstery and apply paint protection yourself with good off-the-shelf products. You can also do your own VIN etching with a kit. Check with your auto parts dealer.



Auto Buyer's Guide

Leasing

If you drive a new car every two to three years, you may want to consider leasing your next car. Monthly leasing payments are usually lower than loan payments. With a lease, you're paying for the vehicle's depreciation, plus rent charges, taxes and fees. You may have other upfront costs such as the first month's payment, a refundable security deposit, capitalized cost reductions and registration.

A typical lease allows you to drive up to 15,000 miles a year without penalty. You may not want to lease if you have a long commute or use your car for long-distance vacations. Negotiate the price on a lease just as you would if you were buying, and try not to let on that you are leasing until you have the car price that you want. Don't let the lease outlast the vehicle's basic warranty, or you may be paying major repair bills on a car you don't own.

Auto insurance

Get insurance quotes directly from Mountain America Insurance Services. We have affordable auto insurance policies to help protect your family on the road of life.

You also may want to consider purchasing GAP insurance, an optional product that insures the difference between the amount you owe on your vehicle and what an insurance company says it's worth. Without it, you would have to pay the depreciation difference in the event of an accident or theft. Be aware, however, that it is typically just available for new cars that are financed and may not be appropriate for everyone.

More information

Even more helpful tips for getting the best auto deal are available by checking out our Auto Center.