

## **Getting That New Car!**

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The timing of this article could not be more appropriate for me. My current vehicle has been paid off for almost two years now, and for the first year, I was very happy to be out from under monthly car payments. The problem is that when the loan ended, the warranty ended as well. I still spend money on my car every month, but it goes towards repairs rather than payments!

If you are anything like me, the thought of walking into a car dealership and "haggling" with the sales staff can be frightening. Over recent years, however, the new car market has been improving, due to increased focus on women buyers. More women salespeople are entering the automobile arena, and certain companies are beginning to focus on improved customer service and "service after the sale" philosophies which greatly appeal to today's female car buyer. Another big anxiety-reducer is simply being prepared. Knowing what new vehicles and options are available for 1998, the steps to complete before approaching a dealership and a basic understanding of the differences between buying and leasing can increase your comfort level in obtaining your new car.

### **What's New for 1998**

Smaller cars, such as the Ford Aspire, are making their way *out* of the new car showrooms. Fuel efficiency alone is no longer enough to keep these cars in high demand. Many mid-size cars, the Nissan Altima being one, are increasing in size, inside and out. Sports cars such as the Mazda Miata are also increasing in size, and retractable headlights are being replaced with less trouble-prone fixed lights. Luxury car companies like Cadillac are attempting to gain the attention of younger buyers by marketing sportier models such as the Catera and the new Seville, while continuing to offer the DeVille for more traditional buyers.

In regard to minivans, the new Toyota Sierra is replacing the Previa in 1998 and offers an optional second left-side sliding door, which is gaining popularity. In early 1999, the Mercury Villager and the corresponding Nissan Quest will be larger and will also offer this second sliding door to maintain market competitiveness.

In the sport utility vehicle (SUV) arena, many similar hybrids are appearing, based more on the handling, fuel-efficiency and style of existing cars rather than trucks. Some examples are the Toyota RAV4, Honda CR-V, and the Subaru Forrester. New for '98 full-size SUVs include the Mercedes M-Class, Lincoln Navigator, Dodge Durango and soon, the Lexus RX300.

The new Nissan Frontier will be added to the small pickup truck offerings, originally with a 4-cylinder engine. The Ford Ranger and its sibling, the Mazda B-Series, have been redesigned to allow for more cab room.

In general, 1998 vehicles are offering anti-lock brakes more than ever, either standard or as an option. All-wheel drive is also becoming more prominent in cars and minivans. Car platform globalization is increasing, which basically entails using the same mechanical underpinnings for more than one vehicle. This allows car manufacturers to access niche markets and to make money on smaller production runs. For example, the new Volkswagen Beetle, expected in mid-'98, is basically a two-door body on the VW Golf platform, and will include front-wheel drive and the Golf front engine.

### **First Things First**

The three most important steps to obtaining a new car involve doing the home work *before* walking onto a car lot: preparing your financing, knowing what you want, and finding out what your trade-in is really worth.

First, look into financing arrangements before shopping. Whether you choose a bank, a credit union, or the car dealer, remember that interest rates vary. Rates are currently between 8.5% and 12.5%. Experts recommend that no more than 10% of your total gross income should be spent on car expenses, including the cost of the car, insurance, gasoline and maintenance.

Secondly, know which vehicle and optional features you want. Research several makes and models which interest you. Read the reviews and talk with people who own these vehicles. Don't be afraid to ask questions; there are few topics people like discussing more than their cars. It is also beneficial to walk onto a car lot knowing the dealer cost of the vehicle and options you wish to purchase. With this knowledge, cost negotiations can begin from the invoice cost up, rather than the manufacturer's suggested retail price (MSRP) down. The difference between these two figures usually runs between 5-16% of the sticker price, depending on the vehicle. Information on dealer cost and other incentives - such as factory rebate amounts - can be located through various sources, such as the Internet. Knowing these costs will assist you in the negotiation process with the dealer's sales staff. Always discuss costs from a "total cost of the car" standpoint, rather than a "monthly payment amount" standpoint, and separate from trade-in negotiations.

Knowing the current market value of your trade-in will allow you to recognize a fair offer on your used vehicle. One way to accomplish this is to check the classified section of your local newspaper. Contact people who are advertising comparable vehicles; find out their asking price and the type of responses they have received. You may also want to visit a used car lot to determine their highest offer for the purchase of your car. There are also several web sites available on the Internet which will calculate the market value of your car based on its year, make, model, options and present condition.

Once you have selected the vehicle and options you desire and looked at financing and the value of your trade-in, you may want to investigate the options of leasing your new car.

Leasing has grown in popularity over the last ten years. Today, about one-third of all new cars are leased, and this figure continues to increase. Leasing a car is basically paying only for the portion of the vehicle's original value which you used during the lease term. Monthly payments are based on the difference between the negotiated purchase price and the projected depreciation of the car at the end of the lease. Yes, I said "negotiated" purchase price. Prices on new cars are negotiable, even when leasing, except from manufacturers (such as Saturn) who only sell for list price, or when high demand models are in low supply.

Two ways to save money on a leased car are to select a make and model with a high resale value and to negotiate a reasonable purchase price with the dealer. over the same lease term, a new car projected to have a low depreciation rate will cost less per month than a comparably priced new car with a projected higher depreciation rate. This is due to the smaller gap between the original negotiated purchase price of the vehicle and the projected resale value of the vehicle at lease end.

All lease contracts contain specifications on the maximum mileage allotted without penalty, and most contracts allow between 10,000 and 15,000 miles per year. Inquire about purchasing a larger mileage allowance up front to avoid paying penalties at the end of the lease.

Each lease contract must specify the leasing company's definition of "normal wear and tear" when the vehicle is turned in at the end of the lease term. Usually, "normal wear and tear" means that you must take reasonably good care of the vehicle and keep it properly maintained. If you and your family are unusually hard on a vehicle, leasing may not be the best option for you. Read these details closely and discuss them with your lease representative.

Perhaps one of the biggest drawbacks to leasing pertains to early termination of the lease agreement. Heavy penalties are usually assessed on vehicles which are returned before the end of the lease term, regardless of the reason. It is not uncommon for the balance of the lease amount, as well as early termination fees, to be due immediately upon vehicle return. Leasing a car is a poor option if you find yourself unable to keep the car for the term of the lease.

When considering the lease of a car, another question comes to mind. What if the car is stolen or destroyed? This is where gap protection, or gap insurance, comes in. Gap coverage takes care of any additional amount still owed on the lease after your insurance company has paid off. Gap insurance is standard in many lease contracts; if it is not included in yours, it can be purchased separately through the leasing company or an independent source.

The most important part of leasing a car is to read and understand the contract *before* signing, and ensure that all figures match the agreed-upon totals. Calculate the figures yourself, and inquire about any discrepancies. Be sure to obtain a signed copy of your lease agreement, with signatures from both you and the lease issuer.

When comparing the cost of leasing versus buying the same car, at the same selling price, for the same term, with the same down payment, note these facts:

- The monthly payment of a lease is always less than the monthly purchase payment (between 30% and 60% less).
- If you usually sell your car at the end of the loan term, leasing will always have a lower long-term cost.
- If you usually keep your car several years after the loan term, buying is the most cost-effective method for you.

Leasing is not for everyone; evaluate your situation honestly before deciding whether to buy or lease your next vehicle. If you have decided to finance your new car, the time spent getting a pre-approved loan can save time and headaches later. Do your homework concerning the make, model and options you wish to purchase, and the value of your used vehicle, **before** stepping into a car dealership. Being prepared and knowledgeable will simplify the process and make you more comfortable in knowing you got a good deal on your new car!