

Buying a Car

A Component of BestPrep's Financial Matters Program



How many of you **have** a car?



How many of you **want** a car?



Financial Matters

powered by  **bestprep**

Should you pay cash for your car?



Pros:

- Pay up front, avoids interest
- Helps negotiation

Cons:

- Have to save up
- May limit what type of car

Financing Options: Dealer

Dealer Provided Financing

- Manufacturer Financing can be low cost.
- Provides incentive to sell vehicles
- Other financing can be higher cost
- Beware the “up sell” by dealer
 - extended warranties
 - add-ons



Financing Options: Financial Institution

Bank or Credit Union Financing

- Banks can be competitive – shop around online
- Credit unions often lower cost – non-profit status
- Interest Rate based on credit worthiness and age of vehicle



Financing Options: Loan Co-Signer

Using a Co-Signer for a Car Loan:

- When an additional party is required by the lender to “guarantee” payment.
 - If you are under 18,
 - Have no credit or poor credit
- Co-signers have the same liability as you in making sure the payment is made every month.



Completing the Purchase: Title

STATE OF MINNESOTA
CERTIFICATE OF TITLE FOR A MOTOR VEHICLE

Donor's printed name(s)
John Doe

Donor's address
123 Main St
Anytown, MN 55000

Signature of donor(s)
John Doe

Odometer Reading
12345

Seller's Notice of Sale
When you sell this vehicle, you are responsible to file this information with the Department of Public Safety within 10 days. You may file over the internet at www.dps.state.mn.us or complete this card and mail. This notice is not required if sold to a licensed dealer. MN Statute 169A.10

Date of donation
1/1/2010

Activated Minnesota
2120 W. Mission Road Ste. F-G
Escondido San Diego CA 92029

PLEASE PRINT

Transfer of Title

- Title conveys official ownership – required by DMV
- If loan is used, a “lien” will be added to the title
 - loan must be paid to transfer the title again (you can’t sell the car until the loan is paid)

Completing the Purchase: Tax

Sales Tax

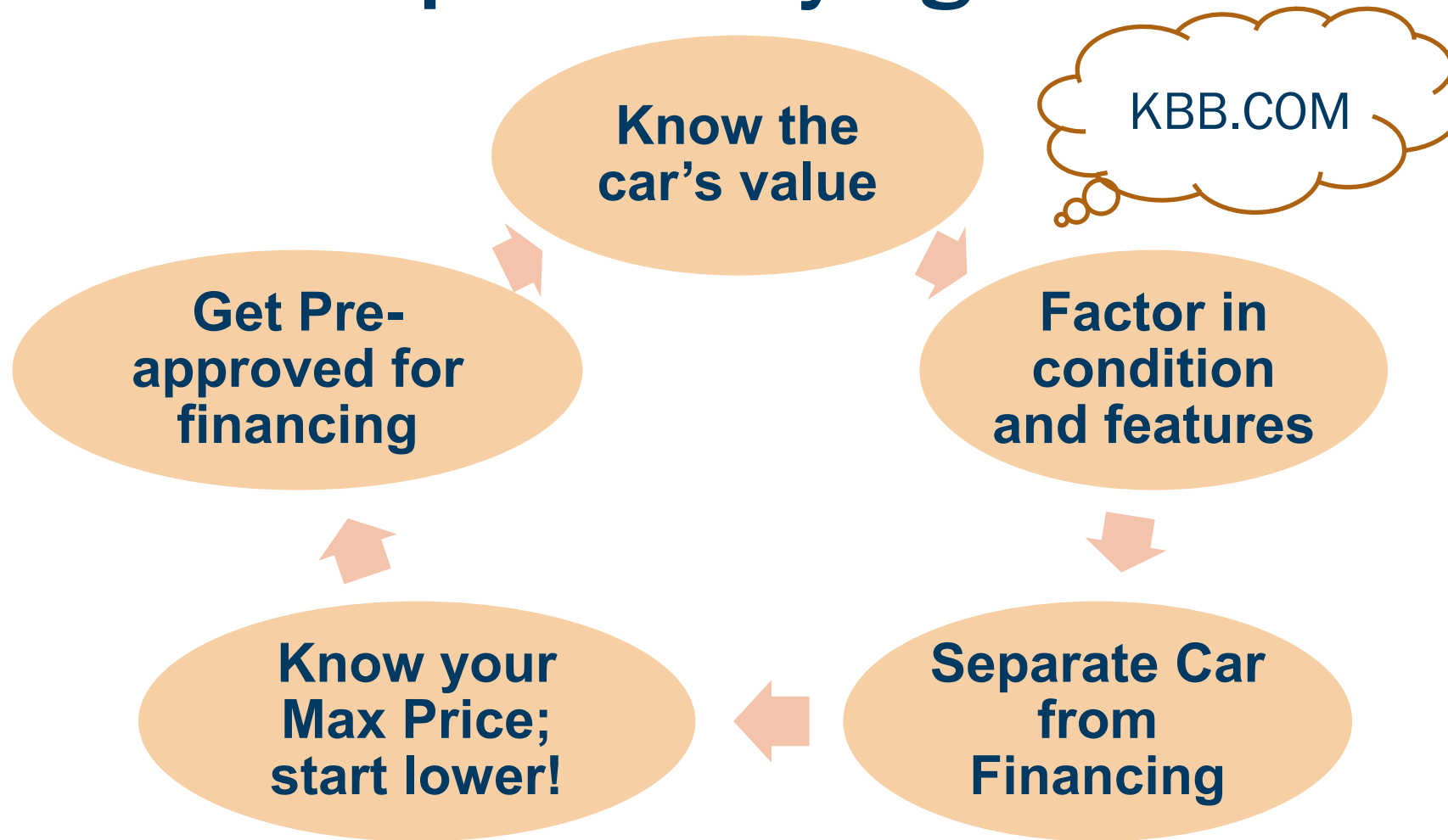
- Vehicles must pay 6.5% sales tax
- Exception: If >10 years old & <\$3000 value

How to estimate your sales tax: example calculation

Final purchase price (after trade-in allowance) X Total sales tax rate [%] = Taxes owed



Steps for Buying a Car



Managing Your Trade-In

If you own your car outright:

- Trading means all proceeds go toward the purchase
- Explore value of trade-in on NADA.Com or KBB.Com

If you owe \$ on the trade-in:

- Must pay off loan before transferring the title in trade
- “Negative Equity” – owing more than car is worth. Repay; or the amount is rolled into new loan



What might you consider when buying a car?



1:00

Considerations for buying a car



Budget



Travel Distance



**Body Style,
Make/Model**



Passengers



Features



Online Resources

Researching the car that is right for you:

- Cars.com
- Edmunds Car Finder
- Consumer Reports
- Kelley Blue Book
- J.D. Power
- Insurance Institute of Highway Safety
- Fueleconomy.gov



How Consumer Reports Tests Cars

Consumer Reports Article

Every car that is tested gets a score based on four key factors:

- Road test
- Reliability
- Owner satisfaction
- Safety



Is it a New or Used Car?

- Lower purchase price
- Low Initial maintenance cost
- Superior fuel economy
- Lower insurance cost
- High purchase price
- Higher maintenance cost
- Cost of repairs covered by warranty for at least a year
- Not as efficient

New or Used Car?

New Car



- Low initial maintenance cost
- Superior fuel economy
- Cost of repairs covered by warranty for at least a year
- High purchase price

Used Car

- Lower purchase price
- Lower insurance cost
- Higher maintenance cost
- Not as efficient



Buying a Used Car: What Percent?

On average,
used cars prices
are what % **lower**
than new cars?

New cars lose
more than what
% of their value
during the first
month?

New cars lose
more than what
% of their value
during the first
year?

Buying a Used Car

50%↓

On average,
used cars prices
are what % **lower**
than new cars?

10%↓

New cars lose
more than what
% of their value
during the first
month?

20%↓

New cars lose
more than what
% of their value
during the first
year?

Locating a Used Car

1. Protect Yourself

- You are more vulnerable to fraud
- Avoid crazy deals
- Consult Kelley Blue Book to determine reasonable price
- Have a mechanic look at the car

2. Private Sellers

- Never go to a meeting by yourself
- Meet in a neutral, public place during daylight hours
- Never pay cash – use money order or check

3. Test Drive



Let's try Kelley Blue Book

<https://www.kbb.com>



Kelley Blue Book
KBB.COM
The Trusted Resource

Benefits of Car Dealerships

1. You will know the price by seeing the actual sticker price and the car's features
2. You can talk to an expert, and they will know what car in their inventory will meet your needs
3. Compare dealers on equivalent cars
4. Test Drive the Options



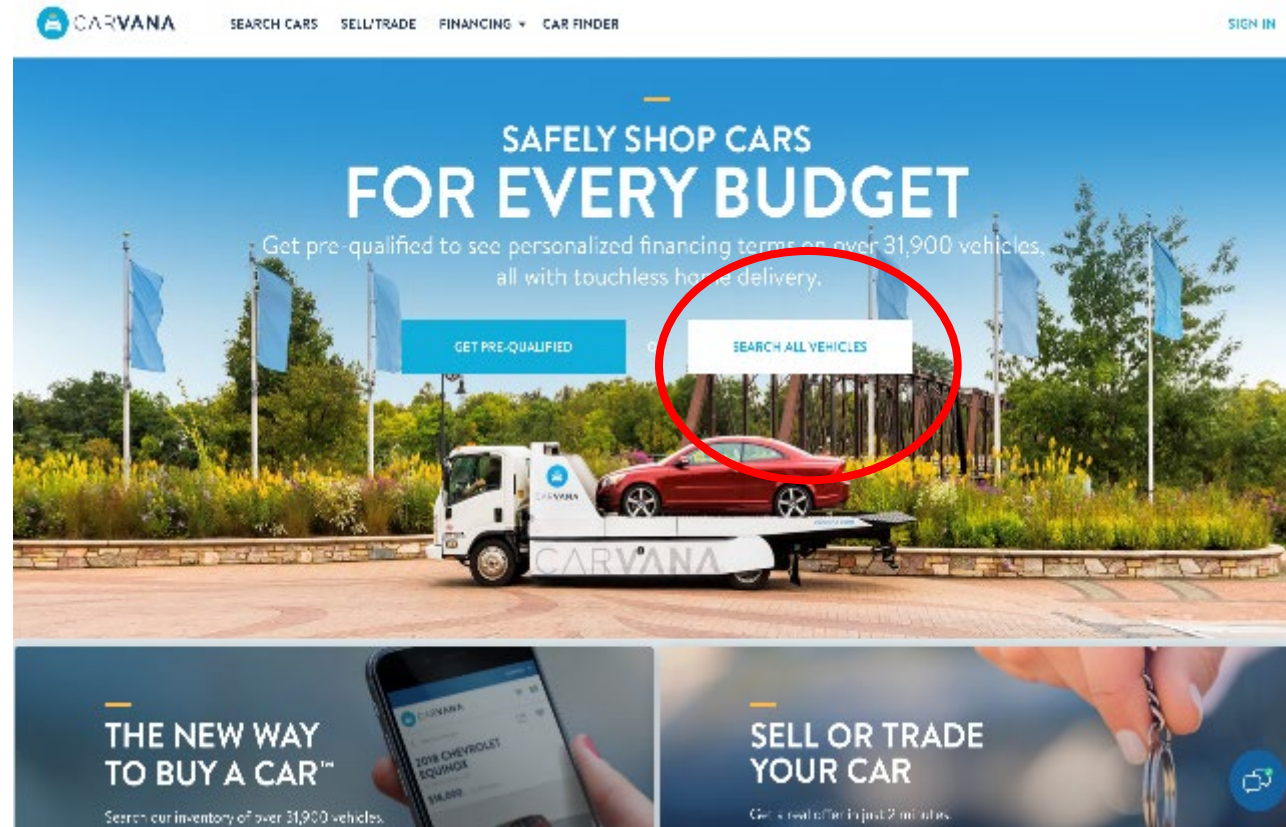
Online Purchasing

- Wide Search Opportunities
 - Inventory
 - Specifications
 - Technical reviews
- Ability to finance on-line
- Direct price comparisons
- May not involve a lot of negotiation
- No crowds or pressure – shop at your leisure
- 7-day money back guarantees offered by some
- Car may be delivered directly to your home

Examples: Carvana, CarMax, CarGurus



Let's “buy” a car using Carvana



Step 1: Explore Vehicles

CARVANA SEARCH CARS SELL/TRADE FINANCING CAR FINDER SIGN IN

USED CARS


Search makes, models or any keywords

SUV (35,851) Sedan (9,197) Truck (1,039) Hatchback (2,482) 6 CYL (6,580) 4 CYL (22,842) AWD (9,539) FWD (19,945) Black (6,417) White (6,370) Gray (5,321) Silver (5,035) Red (1,000) >


RESULTS: 31,456 LOCATION: HAYWARD, WI SORT BY: RECOMMENDED

FILTERS


- PRICE & FINANCING
- MAKE & MODEL
- YEAR
- MILEAGE
- BODY TYPE
- FEATURES
- COLOR
- FUEL & EFFICIENCY




2014 HONDA CR-V EX
17,008 miles
\$14,590
Carvana financing NO PAYMENTS FOR UP TO 90 DAYS




2012 FORD MUSTANG
Mustang
12,982 miles
\$14,990
Carvana financing NO PAYMENTS FOR UP TO 90 DAYS




2018 TOYOTA CAMRY
L
35,593 miles
\$18,990
Carvana financing NO PAYMENTS FOR UP TO 90 DAYS



2014 KIA NIRO
L
17,008 miles
\$14,590
Carvana financing NO PAYMENTS FOR UP TO 90 DAYS

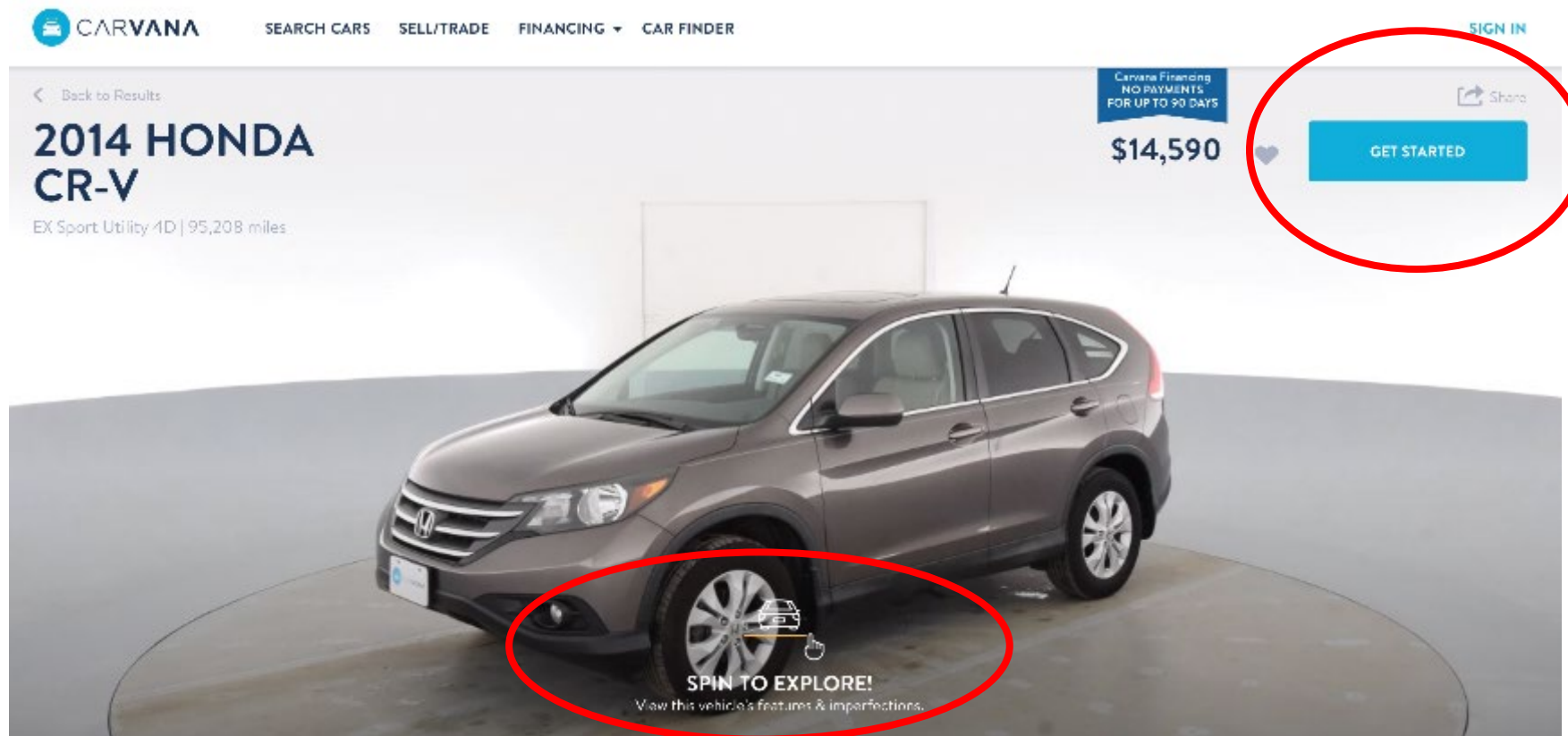


FINANCE WITH CARVANA
Real, personalized financing terms in less than 7 minutes with no paperwork for us




2018 VOLKSWAGEN JETTA
S
35,593 miles
\$18,990
Carvana financing NO PAYMENTS FOR UP TO 90 DAYS

Step 2: Virtual Tour of the Car



Step 3: Review the Car's Details

 2014 HONDA CR-V
EX SPORT UTILITY 4D

\$14,590
55,206 Miles

[↑ TOP](#)


VEHICLE DETAILS

MAKE IT YOURS

150 POINT INSPECTION


VEHICLE DETAILS

HIGHLIGHTS

**ACCIDENT FREE**

Like every Carvana vehicle, this vehicle has never been in a reported accident.

CARFAX [View Report](#)



**SINGLE OWNER**

This vehicle's CarFax history report shows it has had only one previous owner.


FEATURES

[BROCHURE](#)

[WARRANTY](#)

Engine Type	4-Cyl, I-VTEC, 2.4 Liter	MPG	22 City / 30 Hwy
Exterior Color	Brown 	Interior Color	Black 
Transmission	Automatic, 5-Spd	Drivetrain	AWD
Doors	4 Door SUV	Number of Keys	2
VIN	2HKRM4H54EH692251	Stock #	2000558948

Step 4: Check the Inspection

 **2014 HONDA CR-V**
EX SPORT UTILITY 4D

\$14,590
95,208 Miles

[↑ TOP](#)











[VEHICLE DETAILS](#) [MAKE IT YOURS](#) [150 POINT INSPECTION](#)

150 POINT INSPECTION

We put every vehicle through a 150 point inspection so that you can be 100% confident in the quality and safety of your vehicle.


MODEL 2014 Honda CR-V

VIN 211KR64115401692261

Clean History	View CARFAX  Passed	Interior	 Passed
Road Test	 Passed	Suspension	 Passed
Under the Hood	 Passed	Exterior Appearance	View 5 Imperfections 
Wheels & Brakes	 Passed	Interior Appearance	Normal Use 
Body	 Passed	SEE ENTIRE 150 POINT INSPECTION LIST 	

Learn more about [Carvana's Reconditioning Standards](#).

Step 5: Financing

 2014 HONDA CR-V
EX SPORT UTILITY 4D

\$14,590
95,208 Miles

GET STARTED

↑ TOP

VEHICLE DETAILS

MAKE IT YOURS

150 POINT INSPECTION

CALCULATE FINANCING

PAY CASH

LENGTH OF LOAN
69 Months

CREDIT SCORE
Excellent - 780

ANNUAL INCOME
\$60,000

Your current settings are eligible for up to 90 days of no payments. [LEARN MORE](#)

MONTHLY PAYMENT

\$ 267

CASH DOWN

\$ 0

APPLY A TRADE-IN VALUE

Answer a few questions about your car and get an instant value. This only takes 2 minutes.

GET TRADE-IN VALUE

CARVANA OFFERS FINANCING

Get pre-qualified for a loan in 2 minutes, with no payments for up to 90 days.

GET PRE-QUALIFIED NOW

\$267
Estimated Monthly Payment

\$0
Cash Down

VEHICLE PRICE

\$14,590

TAX, TITLE, & REG.

\$1,112

DEALER FEES

NEVER

CASH DOWN

- \$0

TRADE-IN CREDIT ⓘ

[Add a Trade-In](#)

APR

5.6%


ESTIMATED AMOUNT FINANCED

\$15,702

GET STARTED

Input your changes – let's change cash down to \$1,000 and determine the new monthly payment

Step 6: Financing Options

 2014 HONDA CR-V
EX SPORT UTILITY 4D

\$14,590
95,208 Miles

GET STARTED

[↑ TOP](#)

VEHICLE DETAILS

MAKE IT YOURS

150 POINT INSPECTION

CALCULATE FINANCING

PAY CASH

LENGTH OF LOAN
69 Months

CREDIT SCORE
Excellent - 780

ANNUAL INCOME
\$80,000

Your current settings are eligible for up to 90 days of no payments. [LEARN MORE](#)

MONTHLY PAYMENT

\$ 250

CASH DOWN

\$ 1,000

APPLY A TRADE-IN VALUE

Answer a few questions about your car and get an instant value. This only takes 2 minutes.

GET TRADE-IN VALUE

CARVANA OFFERS FINANCING

Get pre-qualified for a loan in 2 minutes, with no payments for up to 90 days.

GET PRE-QUALIFIED NOW

\$250
Estimated Monthly Payment

\$1,000
Cash Down

VEHICLE PRICE

\$14,590

TAX, TITLE, & REG.

\$1,112

DEALER FEES

\$1,000

CASH DOWN

-\$1,000

TRADE-IN CREDIT (0)

And a little more

APR

5.59%

ESTIMATED AMOUNT FINANCED

\$14,702

GET STARTED

Car payment went from \$267 per month to \$250 per month

Online Resources for You



Search cars near you by body type, transmission type, engine power, and more to make sure you get the performance you need



Use this tool to search by an extensive of features like keyless ignition and navigation systems, as well as by price and fuel efficiency



Get safety and reliability information from the national leader in product analysis and information

Online Resources Cont'd



Kelley Blue Book
KBB.COM
The Trusted Resource

This trusted resource highlights reviews and recommendations for every class of car, and offers more tools to help you research your options



Famous for its industry awards, this site can help you learn more about the best options among the cars you are considering

More Online Resources



Find out how the cars you are considering performed on rigorous crash tests

MPG

Energy & Environment

Costs

<

Research fuel efficiency ratings for the cars on your list with this official government site

Student Survey



Thank You!

BestPrep gratefully acknowledges the financial and volunteer support provided by volunteers to offer Buying a Car as a part of Financial Matters.



Inspire. Educate. Connect.