

Buying a Car

A Component of BestPrep's Financial Matters Program

Presenter Info: Name and Company



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



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



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

Transfer of Title

Donor's printed name(s) _____ give this blank
Donor's address _____ give this blank
Signature of donor(s) _____ have this blank

SELLER'S NOTICE OF SALE

Date of donation _____
Activated Minister's _____ Leave this blank
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

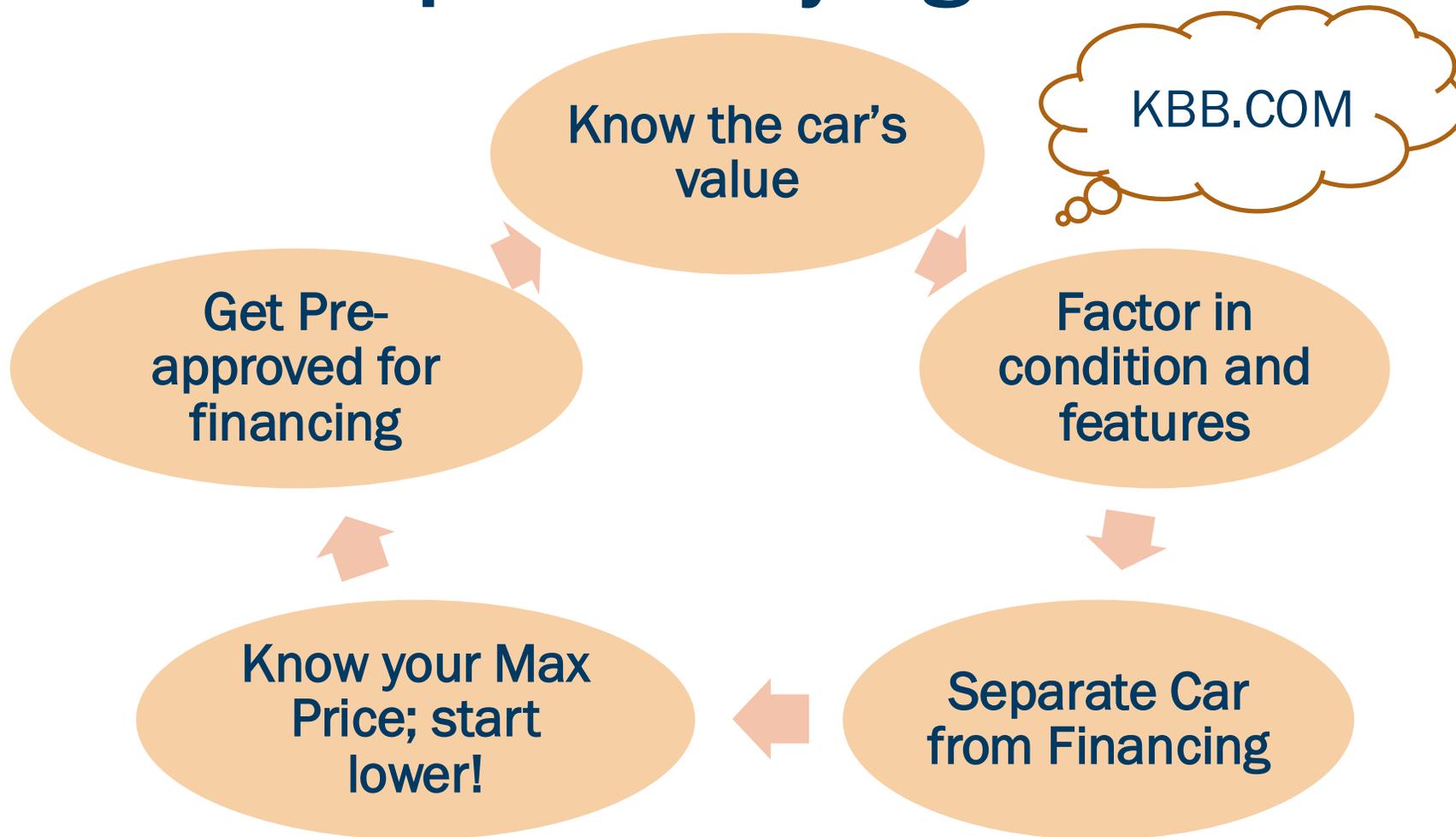
- Vehicles must pay 6.5% sales tax
- Exception: If >10 years old & <\$3000 value

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?



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

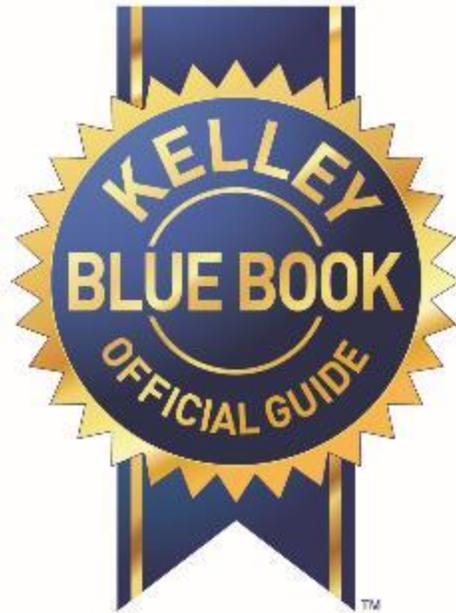
- Never go to a meeting by yourself
- Meet in a neutral, public place during daylight hours
- Never pay cash – use money order or check

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

CARVANA SEARCH CARS SELL/TRADE FINANCING CAR FINDER SIGN IN

SAFELY SHOP CARS FOR EVERY BUDGET

Get pre-qualified to see personalized financing terms on over 31,900 vehicles, all with touchless home delivery.

GET PRE-QUALIFIED SEARCH ALL VEHICLES

THE NEW WAY TO BUY A CAR™
Search our inventory of over 31,900 vehicles.

SELL OR TRADE YOUR CAR
Get a cash offer in just 2 minutes.

Step 1: Explore Vehicles

The screenshot shows the Carvana website interface. At the top, there are navigation links: CARVANA, SEARCH CARS, SELL/TRADE, FINANCING, CAR FINDER, and SIGN IN. Below this is a 'USED CARS' section with a search bar and filter buttons for vehicle types (SUV, Sedan, Truck, Hatchback, 4 Cyl., AWD, FWD) and colors (Black, White, Gray, Silver, Red). The main content area displays a grid of car listings. A red circle highlights the 'PRICE & FINANCING' filter in the left sidebar. The listings include:

- 2014 HONDA CR-V EX: \$14,590, 12,008 miles.
- 2012 FORD MUSTANG Mustang: \$14,990, 13,982 miles.
- 2018 TOYOTA CAMRY: \$18,990, 36,593 miles.

Each listing features a 'Finance with Carvana' badge indicating 'NO PAYMENTS FOR UP TO 90 DAYS'. A 'FINANCE WITH CARVANA' banner is also visible at the bottom of the grid.

Step 2: Virtual Tour of the Car

CARVANA SEARCH CARS SELL/TRADE FINANCING CAR FINDER SIGN IN

Carvana Financing
NO PAYMENTS
FOR UP TO 90 DAYS

2014 HONDA CR-V
EX Sport Utility 4D | 95,208 miles

\$14,590

GET STARTED

SPIN TO EXPLORE!
View this vehicle's features & imperfections.

Step 3: Review the Car's Details

 2014 HONDA CR-V
EX SPORT UTILITY 4D \$14,590
95,208 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	Engine Type	4-Cyl, I-VTEC, 2.4 Liter	MPG	22 City / 30 Hwy
BROCHURE	Exterior Color	Brown 	Interior Color	Black 
WARRANTY	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 211KRW41154E1692251

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](#)

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	\$1,000
Estimated Monthly Payment	Cash Down
VEHICLE PRICE	\$14,590
TAX, TITLE, & REG.	\$1,117
DEALER FEES	\$1,000
CASH DOWN	-\$1,000
TRADE-IN CREDIT	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

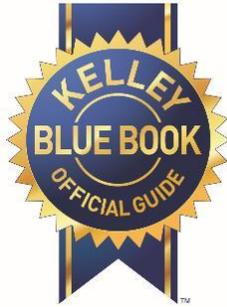


Use this tool to search by an extensive of features like keyless ignition and navigation systems, as well as by price and fuel efficiency



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

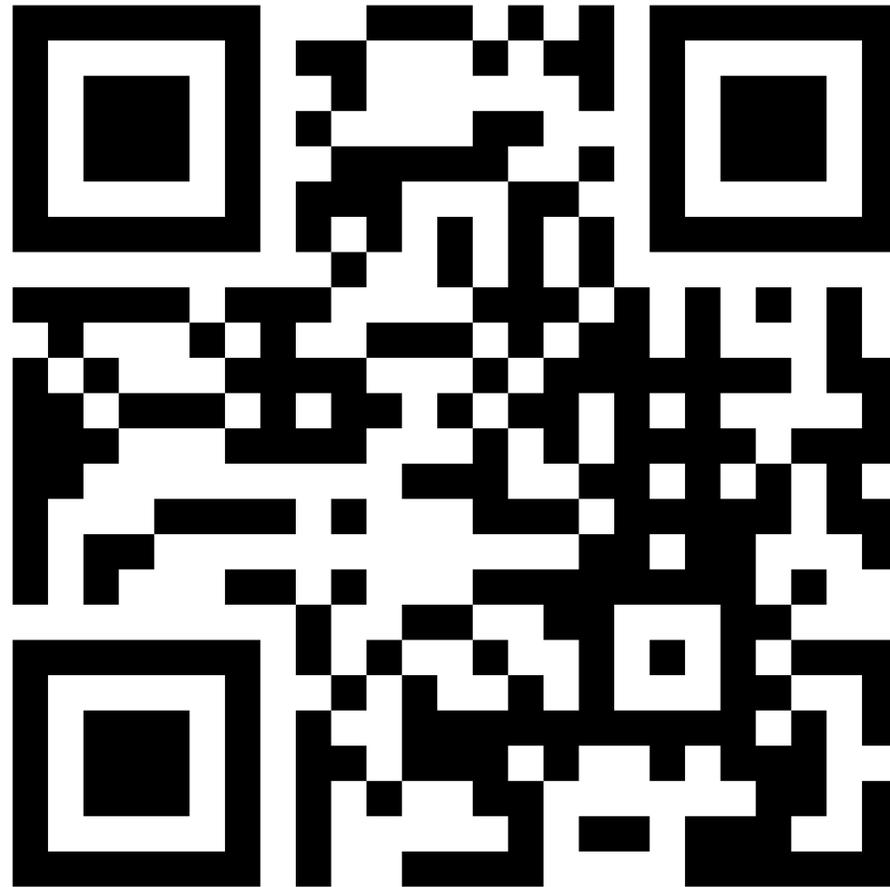


Find out how the cars you are considering performed on rigorous crash tests

MPG	Energy & Environment	Costs	Vehicle	EPA Fuel Economy ↓	Driver MPG	Annual Fuel Cost
<input type="checkbox"/> 2018 Ford Focus Electric Automatic (A1), Electricity						
Compare		107 MPGe combined city hwy 31 kWh/100 mi	NA	\$700	115 miles Total Range	
<input type="checkbox"/> 2018 Ford Focus FWD 1.0 L, 3 cyl, Manual 6-spd, Turbo, Regular Gasoline						
Compare		34 MPG combined city hwy 2.9 gal/100 mi	NA	\$1,400	422 miles Total Range	

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.

