

Alabama Securities Commission

The Basics of Buying an Automobile!

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The Basics of Buying an Automobile!

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- How much should I pay for a car? (Slide 7)
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Do you need a car?

- ✓ Do you need a car? Needs versus wants and driving record.
- ✓ Everyone in their right mind wants a car! The cost of dependable and safe transportation will be critical factors to determine if you can afford a car.
- ✓ The beginning cost of decent insurance on an auto for teenagers is about \$200 per month. This amount will considerably go up with a few tickets or accidents. Can you afford \$200 per month?
USAA cost of driving: <http://www.usaaedfoundation.org/pdf/568.pdf>
- ✓ Gasoline would likely cost \$40 per week. Can you afford about \$160 per month for gasoline?
- ✓ Maintenance on a used car is about \$100 per month, if you are lucky, and use what you learn to buy a well maintained automobile.
- ✓ Don't forget auto registration fees, maybe \$60 per year.

MATH PROBLEM: Compute the cost of a used car for one year, using the criteria below. (This will not include your monthly loan payment.)

- Insurance: $12 \text{ months} \times \$200 = \$2400$
- Gasoline: $52 \text{ weeks} \times \$40 = \$2040$
- Maintenance on used car: $12 \text{ months} \times \$100 = \$1200$
- Annual auto tag and registration fees: may be \$70 per year.

- ANSWER:

Total cost for your used auto:

Per year: \$5710

Per month: \$476

Per week: \$110

How to choose the car you need

Throughout your life, decisions on cars may have a major impact on your prosperity!

- ✓ A good car gets you to work on time, lasts longer and requires less cost to maintain– Dependability!
- ✓ A well maintained car is less likely to break down!
- ✓ A safe car may save your life or prevent you from being disabled or the rest of your life.

How to choose the car you need

Tips for choosing a good car year and model:

- Consumer Reports Magazine: Go to any public library or access by membership on the website:
www.consumerreports.com

This is not the only consumer advice publication, but a good starting point to:

- Review recommended used cars within your price range.
- Consider: Affordability, safety, mileage and reliability.

QUESTION (True or False): The safety rating and size of an engine in an automobile can directly effect the cost of insurance?

ANSWER: True: Insurance companies look at rate of wrecks, severity of injury and types of vehicles i.e. sport cars to assign a cost factor for insurance.

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Tips for choosing a good car!

RESEARCH PROJECT: Go to the library and review Consumer Reports Magazine. You have \$5000 to spend on an automobile. Select the best deal that considers reliability, safety and mileage.

Hints: Consumer Reports prints an annual summary publication on information about all vehicles. Also, different issues of this publication make recommendations on good used cars.

Write a 1000 word essay on the car you selected to buy for \$5000 and explain why you chose a specific vehicle. Discuss reliability in comparison to another car that you wanted and compare features such as safety and speed.

Tips for choosing a good car!

COST TO OWN:

The internet has information about how much it costs to own and maintain a vehicle for 1-5 years. Also, you can “Google other sites:” i.e. “Cost to own a 2006 Cadillac. Good starting place: <http://autos.yahoo.com>

PROJECT: Research the internet and library. Compare the cost to own for a 2007 Toyota Camry XLE and a loaded 2007 Hummer. Write a 1000 word essay explaining differences and costs to operate.

How much should I pay for a car?

Kelley Bluebook (www.kbb.com) website will give you three price categories:

1. What you might pay at a dealership for an automobile.
2. Recommended private party cost of an automobile.
3. The wholesale cost a dealer will give you for an automobile or on a trade-in.

PROJECT: You desire to buy a 2006 Cadillac, in good condition, with 50,000 miles, a cd player, leather interior, and custom wheels. What are the prices for this vehicle in the three Kelley Bluebook categories.

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Getting Ready to Buy!

1. Decide how much money you have available, must have quick access to so you can buy when you find the right car.
2. Pick the specific model and year of car to buy from research and according to your budget.
3. Shop at dealerships and get to know what they have: go to www.thebulletinboard.com and it will tell you where to find vehicles of any kind and year in your location or anywhere.
4. Before you buy any vehicle get access to a Car Fax report (www.carfax.com) that tells if the car was ever wrecked, stolen, how many owners and much more valuable information. A few good dealers will show these reports for free.

Tip: One or two owner cars may be an excellent buy, especially if never wrecked. A car rented by a business is often well maintained.

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When are you ready to buy!

Tips when your have access to money/loan and you are ready:

Where is the car from? Northern area cars may corrode because of salt on the rode. Car Fax would tell origin of vehicle.

Look for corrosion: even though car has been detailed you can observe small deposits of rust underneath the vehicle and especially on the body bolts where the edge of the front hood rests. "Takes a sharp eye."

Look in glove box for previous maintenance records or ask private party. Ask where the car was maintained, is it someplace with a good reputation?

Bad sign if tires are unevenly or badly worn or rotted. If they care about a vehicle, they would always have decent tires.

Check the oil dip stick, does the oil look clean? Did they care enough to change the oil when trying to sell the vehicle. Is the air filter clean? Most people would at least change it, if the vehicle was for sale.

FEEDBACK, FEEDBACK, FEEDBACK:

Please email your ideas, i.e. what you need to incorporate personal finance and investor education into your classes and I will take the time to find or prepare materials (schedule permitting of course)!

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