Owning a car is a huge step toward independence, but independence comes with responsibilities. Owning a car can be quite expensive, so it’s important to understand the true financial responsibility that comes with owning a car. There is the initial cost of buying the car but you’ll also need to pay for maintenance, repairs, insurance, and gas.

**Cash Purchase**

Whether you plan to buy your first car from a neighbor, at a used car lot, or straight from the showroom floor, expect to spend some serious cash. If you are patient and disciplined enough to save the entire purchase price before buying a vehicle, your persistence will pay off immediately because you’ll avoid a monthly car payment and the interest charges that go with it.

**Financing a Purchase**

Many people finance their car purchases, which means that they make a down payment in cash and borrow the rest. If you buy a car through a private deal, the seller isn’t likely to finance the purchase for you. He or she wants to sell the car in exchange for cash. Financing an auto purchase entails obtaining financing from a financial institution, which can be an obstacle for many first-time car buyers. Here are a few of the barriers that you may encounter when trying to finance your first car:

Lack of credit history or bad credit history is the biggest barrier and can make it very difficult to get a car loan.

Your credit score, also known as your FICO score (FICO stands for Fair Isaac Corporation, the company that originally created the formula), can range from 300–850, and the higher your score the better.

Interest rates charged on approved car loans for first-time buyers with little or no credit history can be quite high.

Some lenders will require that your car payment not exceed 40% of your gross monthly income.

Lenders may not approve car loans for vehicles more than five years old or for vehicles with more than 90,00 miles.

There may be minimum finance limits; you may be denied a loan if you aren’t asking to borrow enough money.

Many lenders will not approve a loan to a buyer under age 18.

Lenders may require you to make a down payment of no less than 20% of the purchase price.

Lenders might deny a loan request if the vehicle lacks a CARFAX Report, or based on the contents of the report if it’s available.

A **CARFAX Report** is a report that is the result of a records search on a vehicle. This report covers all insurance and law enforcement data entered about the vehicle. The data are accumulated based on the vehicle’s Vehicle Identification Number (VIN).

**Other Expenses**

You’ll need additional cash beyond the purchase price to cover fees and taxes related to car ownership. You’ll need to get a new title (proof of ownership) and pay for insurance, car registration, and a license plate. These costs alone can total hundreds of dollars. Many lenders will allow these costs to be rolled into the financing, or at least added to the purchase price when calculating the amount of the loan.

The tag is the license plate, which you receive after registering the vehicle with your state’s department of motor vehicles (DMV).

The title is the official document of ownership that proves you are the rightful owner of the car. You will use it to transfer ownership to another person if or when you sell the car.

Tax is the amount charged by the government on the purchase price. All 50 states charge a fee for registering a vehicle, but each state’s fee may be different.

*The amount of the tax Brunswick residents are required to pay is based on the manufacturer’s suggested retail price (list price) when new, and the current age of the vehicle – $24.00 dollars per thousand on the list price for the first or current year of model, $17.50 per thousand for the second year, $13.50 per thousand for the third year, $10 per thousand for the fourth year, $6.50 per thousand for the fifth year, and $4.00 per thousand for the sixth and succeeding years. The minimum excise tax on a motor vehicle is $5.00.*

**Gas**

The price of gasoline has a significant impact on the average person’s monthly budget, so you should pay attention to your gas consumption and budget for it if you are going to own a car. Many people select cars with smaller engines so they can get more miles per gallon (mpg) and reduce what they spend on gas, but small four-cylinder engines are also less powerful. Some people opt for larger, eight-cylinder engines because they prefer the power, but these engines require more gas and as such are more expensive to operate.

**Repairs and Maintenance**

The most important maintenance you can do to keep your ride running smoothly is to keep up with oil changes. This should be done every 3,000 miles to keep your engine free of deposits and help it last longer. Since the average driver drives 12,000 - 15,000 miles each year, you should expect to get four to five oil changes per year.

Each time you apply the brakes, the brake pads squeeze against the rotor to create friction and slow the car to a halt. Ignoring worn brake pads will cause metal-on-metal friction and wear out the brake drums. Repairing brake drums will be more costly than a simple brake pad replacement, so have your brake pads inspected with each oil change and replace them when necessary.

Keeping your tires properly inflated will prolong their useful life, cut down on unnecessary wear and tear and improve your gas mileage. Well-maintained tires also help keep you safe: Worn, cracked or underinflated tires can lead to a serious loss of control, especially on slick, wet or snowy roads.

Tire alignment ensures your tires are running straight. Misaligned tires will wear unevenly and have a shorter lifespan. You should have your tires aligned if you notice your car drifting as you drive. There is no prescribed mileage guideline for getting tires aligned. Even new tires can get out of alignment if you hit a curb or drive on rough roads with potholes.

The average life of most tires is about 25,000 miles, but a tire’s actual lifespan will vary depending on your driving habits. Highway mileage puts more wear on tires than stop-and-go traffic in town. Rotating your tires each time you change the oil will help them last longer and allow you to go longer between replacements.

We all hope that we won’t have to pay for unexpected repairs, but we can’t always avoid them. Flat tires, a squeaky belt, an oil or power steering fluid leak, or a broken water pump are all common. While we can never predict when we might need one of these repairs, we can expect that something probably will go wrong during the year, so smart car owners budget something each month for unexpected repairs. Ignoring this budget item could mean getting stuck with a bill you are not prepared to pay.

**Car Insurance**

If you finance the purchase of your vehicle your lender will require proof of insurance because you don’t really own the car until the loan is paid off, and the lender doesn’t want to get stuck with a wrecked car.

***Basic Coverage***

**Liability:** In an accident that is your fault, liability insurance pays for damage to the other vehicle and for medical claims made by people in the other car. Liability coverage is required in most states.

**Collision:** This pays for damage to your vehicle. Any cost to repair your car after an accident will be covered under collision insurance. Your lender will require this if you are financing your car.

**Comprehensive:** This pays for damage to your car that happens in ways other than an accident. Theft, vandalism, water damage, and fire would come under comprehensive coverage.

***Additional Coverage***

**Personal injury protection** pays the medical costs for the policyholder and any passengers.

**Uninsured/underinsured motorist coverage** covers you and your car if you are involved in an accident with an uninsured or underinsured motorist.

**Broken glass** provides coverage if your collision or comprehensive policy does not cover the windows.

**Guaranteed auto protection (GAP) insurance** will pay the difference between your car’s value and what you still owe on it should you drive right off the lot, hit a wall and destroy it. Remember, once you drive a new car off the lot, it is a used car and the value decreases.

**Cost Factors That Impact Insurance Rates**

Here are some of the factors that will impact the final cost of car insurance for anyone, but most notably for a new and/or young driver.

**Deductible:** When you file an insurance claim, the deductible is the amount of money you pay first before the insurance kicks in and pays the remaining costs of the claim. The higher you set your deductible, the lower your monthly insurance payment (known as your **premium**) will be.

**Age:** Younger, less experienced drivers pay much higher rates.

**Gender:** Males, especially young males, pay higher rates than females.

**Demographics:** Drivers who live in urban or high-crime areas pay higher premiums than those in rural or low-crime areas.

**Claims:** People who tend to have accidents or incur damage will pay higher premiums. If you have a minor accident, consider paying for the repair yourself and not filing an insurance claim. In the long run, the increase in your premium may mean that it is not worth filing a claim.

**Traffic tickets:** Getting a ticket for speeding, running a red light, or any other moving violation will put points on your driver’s license and increase your insurance premium.

**Vehicle choice:** Expensive cars cost a lot more to insure than cheaper cars.

**Driving habits:** The number of miles you put on your car each year affect your insurance premium.

Because there are a lot of factors that determine car insurance premiums, different people will have different rates even if they are getting insurance for the same kind of car. People will receive different rate quotes for the same car by checking with different insurance companies. It pays to shop around by comparing companies and policies. The cost of insurance will be an important factor in your monthly budget, so be careful and choose wisely.