**New v. Pre-Owned**

One of the first decisions you must make when buying a car is whether to purchase a new car or a pre-owned (used) vehicle. There are advantages to each. New cars offer the latest in technology, features and design and typically have a warranty; however, they also cost more, and typically lose some of their value as soon as they leave the lot. A used car is generally less the best shape; and it may have high mileage, limited items covered by warranty, and a history of repairs or problems.

**Leasing vs. Purchasing**

You’ll also need to decide whether you want to **lease** the car or **purchase** it. There are several differences between the two in areas such as ownership, maintenance, payments, and more.



To decide whether leasing or buying is the best option for you, answer these questions:

**1. Do you drive more than 12,000 to 15,000 miles a year?** If you drive more than that, leasing isn't for you because you'll end up paying hundreds or thousands of dollars in extra-mileage fees.

**2. Do you mind always having a car payment?** If not, leasing may be right for you. It will allow you to get a new car every three years without making a substantial down payment.

**3. Do you take good care of your vehicles?** Do you avoid parking lot dings and fender benders? If you don't, then don't lease; lease contracts require you return the vehicle in good shape, fully maintained.

**4. Will you want to modify your vehicle?** Don't lease; under a lease you don't own the vehicle. Any changes you make could affect its value, and the leasing company will want compensation.

**5. Do you anticipate any lifestyle changes?** If you foresee marriage or a new baby, for example, during the term of the lease, then buy instead. If you lease that two-seat sports car and two years from now need a minivan, you'll pay through the nose to get out of the lease. You may owe more than the sports car is worth two years into a conventional loan, but you'll likely pay less making a vehicle switch than you would under a lease termination.

***Tip:****The two best times of the year to purchase a car are the end of December (when dealers are competing for Christmas shoppers) and between July and October (when dealers are making room for new models).*

**Trade-In/Book Value**

Many car buyers have a used car they want to trade in for the new car they wish to purchase. Many times the **trade-in value** of a used car is called the **book value**. Pricing information can be found through various sources, such as guides like the Kelley Blue Book ([www.kbb.com](http://www.kbb.com)).

**How much can you spend?**

*The general rule is to not spend more than 10% of your income on your auto payment.*

|  |  |
| --- | --- |
| Your expected Yearly Net Income for the job you hope to have after obtaining post-high school education and training: |  |
| The maximum annual amount you should spend on this vehicle[≤ 10% of yearly net income]: | The maximum monthly amount you should spend on this vehicle[maximum annual amount **÷** 12]: | The maximum total amount you should spend on this vehicle for a four-year loan [maximum monthly amount x 48 months]: |

Now that you know how much money you should spend on your vehicle, find one that fits your budget.

***When deciding how much to spend on your vehicle, remember that there are many additional costs to owning a vehicle than your auto payment: gas, insurance, repairs, and registration and inspection fees, etc.***

You can search for vehicles here (feel free to use any other of your choice):

[www.autotrader.com](http://www.autotrader.com)

[www.carvana.com](http://www.carvana.com)

[www.cars.com](http://www.cars.com)

[www.truecar.com](http://www.truecar.com)

[www.carsdirect.com](http://www.carsdirect.com)

[www.ebay.com/motors](http://www.ebay.com/motors)

When you locate a vehicle of interest, check the price of your vehicle on [www.kbb.com](http://www.kbb.com) to see if it is within an acceptable price range.

Once you have located a vehicle that is within your price range, list the following information about it:

|  |
| --- |
| Price: |
| Make: |
| Model: |
| Year: |
| Mileage: |
| Gas Mileage: |

Now use the loan calculator at Atlantic Federal Credit Union’s website [[www.atlanticfcu.com](http://www.atlanticfcu.com)] to determine your monthly payment for a 48-month loan for this vehicle.

Under “Mortgages and Loans” click “Personal Loans.” Then click “Auto Loans.” Take note of the interest rate advertised there next to “New Low Rate” then click on the calculator icon. Enter the vehicle cost, interest rate, and loan term [48 months] where required.

|  |
| --- |
| Estimated Monthly Payment: |
| Total Paid: |
| Total Interest Paid: |