Nuts and Bolts of Confident Auto Buying

Webinar will start at 12:00pm Eastern Time

Cooperative Extension

• Nationwide educational network.
• Each state and territory
  – Land-grant university and a network of local and regional offices.
• Reaching out
  – Extends the education and research from the university into the local community
  – Solve public needs with university resources through non-formal programs

Cooperative Extension in Florida

• Partnership between University of Florida & County Governments
  – All 67 counties in Florida have Extension offices
  – Most have a Family & Consumer Sciences Agent
  – Main website www.SolutionsForYourLife.com

Webinar Team

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Please complete the SHORT evaluation that will be sent following the webinar.
Webinar

• Automobile Considerations
• Auto Loans
• Buying with Confidence
• Negotiating

When’s the Best Time to Buy a Vehicle?

1. First of the month
2. End of the month
3. End of the year
4. When you’re bored with your car or truck
5. When your old one dies on the side of the road
6. When you have time to research options before buying

Why Do You Want a Different Vehicle?

• Bored
• Safety
• Reliability
• Changing needs
• Friend/co-worker just bought your dream car
• Status
• Gas mileage
• Old one needs major repairs

Do the math before shopping

What Can You Afford?

Your car should fit your budget

Transportation as Part of the Budget

On average, Americans spend the following percentages of their income in each category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>13-15%</td>
</tr>
<tr>
<td>Housing</td>
<td>32-42%</td>
</tr>
<tr>
<td>Child Care</td>
<td>15-25%</td>
</tr>
<tr>
<td>Clothing</td>
<td>3.8-4.2%</td>
</tr>
<tr>
<td>Personal</td>
<td>2-5%</td>
</tr>
<tr>
<td>Transportation</td>
<td>17-18%</td>
</tr>
<tr>
<td>Medical</td>
<td>6-7%</td>
</tr>
<tr>
<td>Education/Recreation</td>
<td>0-10%</td>
</tr>
<tr>
<td>Gifts/Contributions</td>
<td>0-10%</td>
</tr>
<tr>
<td>Misc./Emergency</td>
<td>2-10%</td>
</tr>
<tr>
<td>Savings</td>
<td>0-10%</td>
</tr>
<tr>
<td>Insurance</td>
<td>0-11%</td>
</tr>
</tbody>
</table>


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Nuts and Bolts of Confident Auto Buying

Research

- Auto types
- Reliability
- Safety
- www.hwysafety.com
- Gas mileage
- http://www.fueleconomy.gov
- Insurance for type of auto
- Check before purchasing

Cost Information & More

- Consumer Reports – free and paid for information http://consumerreports.com
- New and used cars and trucks
  - Number of different sites, examples:
    - www.edmunds.com
    - www.truecar.com
    - www.kbb.com
    - www.cars.com

More Used Car Research

- Get inspected by reputable mechanic
- Research by VIN, examples:
  - http://www.autocheck.com
  - www.carfax.com

Comparing Options

- Brand New
  - Warranty
  - Depreciates faster
  - Interest rates are usually a little lower for a loan
- Used
  - Less expensive
  - Might not have a warranty
  - If very old might not qualify for a loan
- Leasing
  - More expensive in the long run
  - Payments may be lower, but costs more overall

Deciding to Lease or Buy

- 8 Reasons Not to Lease a Vehicle
  - May be a penalty for excessive mileage
  - Need good credit to lease
  - Required to maintain the car as if you own it
  - Quoted lease payments may not include sales tax
  - May be a large return fee at the end of the lease
  - Difficult to terminate lease early
  - Payments may not be lower than if you bought the car
- 3 Reasons to Consider Leasing a Vehicle
  - You know you will keep the car for ONLY 2-3 years
  - Accountant advises you to lease vs. buy

How Will You Pay?

- Cash
- Finance
  - Determine amount to be borrowed and for how long
- Research financing options
  - Bank
  - Credit union
  - Dealership

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Check Your Credit Report
- www.annualcreditreport.com
- Check for errors
  - fix any errors to have optimal credit score before purchase
- Pre-qualify with bank, credit union or other
  - ask lender for credit score or consider paying for it
- If not offered comparable interest rates, ask why

Get a PAL
- Preapproved loan
- Credit Union
- Bank
- Other options – insurance companies
- Need not reveal details to salesperson

Impact of Interest Rates

<table>
<thead>
<tr>
<th></th>
<th>4 Years (48 Months)</th>
<th>4 Years (48 Months)</th>
<th>4 Years (48 Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Financed</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Interest Rate (APR)</td>
<td>2%</td>
<td>6%</td>
<td>15%</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$433.90</td>
<td>$469.70</td>
<td>$566.51</td>
</tr>
<tr>
<td>Total Payments</td>
<td>$20,827</td>
<td>$22,545.6</td>
<td>$26,717.28</td>
</tr>
<tr>
<td>Finance Charges</td>
<td>$827</td>
<td>$2,545.60</td>
<td>$6,717.28</td>
</tr>
</tbody>
</table>

The person paying 15% interest pays $4,172 extra in interest charges than the person paying 6%

Impact of Length of Loan

<table>
<thead>
<tr>
<th></th>
<th>3 Years (36 Months)</th>
<th>5 Years (60 Months)</th>
<th>7 Years (84 Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Financed</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Interest Rate (APR)</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$590.48</td>
<td>$368.33</td>
<td>$273.38</td>
</tr>
<tr>
<td>Total Payments</td>
<td>$21,257.28</td>
<td>$22,099.80</td>
<td>$22,963.92</td>
</tr>
<tr>
<td>Finance Charges</td>
<td>$1,257.28</td>
<td>$2,099.80</td>
<td>$2,963.92</td>
</tr>
</tbody>
</table>

Person stretching the loan over 7 years pays $1,706 more in interest than person paying the loan in 3 years

Upside down on a car loan
- Owe more on the car than it is worth

Avoid Being Upside Down
- Down payment of 20% or more
  - Especially if it is a new car
- Pay off car as soon as possible
  - Try to avoid loans that are more than 48 months
- Avoid expensive interest rates

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Gap Insurance
- Upside down on car loan
- Auto insurance pays off market value
- Gap pays off any difference
- Need if likely to be upside down
  - Extra long loan term
  - No money down
- Do not purchase unless necessary
- Compare prices
  - Dealer
  - Lender

Buying with Confidence

Get the Best Deal
- Don’t combine transactions:
  - Trade-in
  - New Car
  - Financing
- You will get a better deal if you negotiate each one individually
- Or if you sell to a private party
  - Be cautious when dealing with strangers

Buying a Used Car
- Make sure the name on the title matches the name on the seller’s driver’s license
- Ask questions about the vehicles past
- Get detailed vehicle history from the seller
- Get it inspected by an independent mechanic
- Warranty or as is?
- Avoid vehicles with Damage Disclosure, Salvage and Rebuilt

Be Prepared
- What to bring
  - The invoice price for the car you are interested in
  - Checkbook and/or cash for down payment
  - Loan pre-approval forms
  - Auto insurance information
  - Driver’s license
  - Title and registration, if you are trading in a car
- Who to Bring
  - If vehicle will be jointly-owned, bring spouse*
  - Friend who is not emotionally involved in the situation
  * some financial experts warn against joint ownership

The Process: Competing Goals
- Auto dealer goals
  - Sell you a car at a profit
    - Profit is built into the transaction throughout the entire buying process
      - Sale of car
      - Add-ons
      - Trade in of old car
      - Financial and Insurance products such as loans, insurance, extended warranties
- Buyer goal
  - Purchase vehicle that best meets your needs
  - Get the best “Out the Door” price

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# Nuts and Bolts of Confident Auto Buying

## The Car Buying Process

1. The “Meet & Greet”
2. Needs Assessment (or Analysis)
3. Product Selection
4. Walkaround/Demo Drive
5. Trial Close

## The Car Buying Process (Continued)

6. Trade Appraisal
7. Presentation of Numbers
8. Introduction to Finance
9. Delivery
10. Follow Up

## Negotiating the Selling Price

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Salesperson will ask basic questions to find out if you are financing, have a trade in, good credit, etc.</td>
</tr>
<tr>
<td>2.</td>
<td>May want to discuss monthly payments&lt;br&gt;Never negotiate based on monthly payments. Respond “I’m not interested in discussing monthly payments. I only want to talk about the selling price of the vehicle.”&lt;br&gt;Negotiate up from dealer’s cost, not down from the suggested retail price</td>
</tr>
<tr>
<td>3.</td>
<td>How will you be paying for the vehicle?&lt;br&gt;“I only want to talk about the selling price right now. We can discuss finances later.”</td>
</tr>
</tbody>
</table>

### FIRST Rule of Negotiating
Never appear anxious, worried, or desperate. Remain calm, casual, and willing to walk away at any time

## Negotiating the Selling Price (Continued)

<table>
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<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>YOU are the one who will determine the way the negotiations go!&lt;br&gt;Do your research before going, take notes with you&lt;br&gt;It’s up to you to keep things on track&lt;br&gt;Stay strong and focused on your buying goals&lt;br&gt;Double check figures</td>
</tr>
<tr>
<td>5.</td>
<td>Tell him you are ready to make an offer&lt;br&gt;Let him know that you are in no hurry to buy a car; however, if offer is accepted, you are prepared and willing to sign the papers and drive the car home that day&lt;br&gt;SECOND Rule of Negotiating&lt;br&gt;Never negotiate down from the sticker price. Always negotiate UP from the invoice price (new cars) or wholesale price (used cars)</td>
</tr>
</tbody>
</table>
| 6.   | Once you’ve made an offer, be quiet<br>Sit and wait for a response<br>The salesman will probably insist your offer is too low<br>Negotiating Tip<br>Whoever speaks first after an offer is made is in the weaker negotiating position

### SECOND Rule of Negotiating
Never negotiate against yourself<br>Never raise your own bid until they make a counteroffer

## Negotiating the Selling Price (Continued)

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.</td>
<td>The salesman will try to get you to raise your bid&lt;br&gt;Negotiating Tip</td>
</tr>
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Negotiating the Selling Price

8. Negotiations continue…
- Salesperson consults with Sales Manager
  - Sit back and relax
  - Sooner or later, the salesman will return
  - He and/or Sales Manager will present their counteroffer
  - Sit and think
  - They will probably speak first to break the tension
  - At the appropriate moment, show your flexibility by raising your bid

**Negotiating Tip**
Always raise your offer in small increments
$50 - $100 at a time

Closing the Deal

9. Eventually, your offer will rise to your pre-set limit
   - When it does, don’t budge
10. If they won’t sell at YOUR price
    - Thank them and leave
    - Make sure they have your contact information
11. If they agree, they will finalize the price and you will move on to the business department

Surviving the Business Office

- Selling price agreed to...sent to Business Office
  - Discuss financing
  - Pre-approved financing
  - Dealership financing
  - Cash
  - Read ALL fine print
  - Think twice about all those “extras” including
    - Extended warranty
    - Paint protection / fabric protection/rustproofing
    - Alarm systems
    - Window tinting
    - Insurance: disability, life

Be a Confident Buyer

Time spent in preparing for the purchase and negotiation will help you purchase a vehicle that fits your needs and budget

Summary

- Consider all costs
- Save for a down payment
- Get a PAL
- Do your research
- Negotiate for total price, not payment

Follow up

- Links in the presentation will be sent
- Please complete the short evaluation that will be sent.

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Sources

- Consumer Federation of America, Car Buying Power Points and Brochures.
- Consumer Reports
- Edmunds.com
- US Air Force FTAC Curriculum
- Florida Master Money Mentor Curriculum

Contacts

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- Celia Hill – hillcb@leegov.com
- Lisa Leslie – lesliel@hillsboroughcounty.org

Thank you for participating!!

Upcoming Webinars

Are Foods Bothering You? Get the Facts on Food Allergies
Thursday, October 30
12:00 to 1:00 p.m.

Learn the difference between food allergies, intolerances and sensitivities including how to get a correct diagnosis. Discussion includes gluten related problems and whether a gluten free diet is right for you.

Six Steps to Smarter Shopping
Tuesday, November 18
12:00 to 1:00 p.m.

Discussion of strategies for saving money and time. Includes purchasing online and through traditional outlets.