



CAR BUYING STRATEGIES

“Financial Readiness Means Mission Readiness”



Agenda

- ▶ **The Three Deals of Car Buying**
 - ▶ **The Purchase**
 - ▶ **The Financing**
 - ▶ **The Trade-In**
- ▶ **Legal Rights**





Deal #1: The Purchase

- **Do Your Homework**
 - How much can you afford?
 - What type of vehicle do you want?
 - Where will you buy?
 - What is a fair price?
 - Should you lease?
- **At the Dealership**
 - Questions to Ask
 - Negotiating
 - Tricks of the Trade



How much can you afford?

- ▶ **Know these key amounts:**
 - ▶ Total price you can afford
 - ▶ Down payment you can afford
 - ▶ Monthly payment you can afford

- ▶ **Where will this information come from?**



Financial Planning Worksheet

Date _____ SSN _____ Grade _____
 Name _____ Age _____
 Pay Grade _____ Yrs. in Svc. _____ Date Arrived Station/RNLT (Transfer) _____
 Marital Status _____ Spouse's Name _____ Age _____
 Spouse's Place of Employment _____
 Number of Children and Ages _____
 Home Address _____

 Work Telephone _____ Home Telephone _____
 Command & Referred By (Self, Unit, AFAS, FSC, Etc.) _____
 Amount of SGLI Elected _____ Amount of FSGLI Elected _____
 TSP Monthly Contribution _____ MGIB Monthly Contribution _____

STATEMENT OF NET WORTH

ASSETS

Cash on hand \$ _____
 Checking accounts \$ _____
 Savings accounts \$ _____
 Certificates of Deposit \$ _____
 Cash value of Life Insurance \$ _____
 U.S. Savings Bonds \$ _____
 Mutual Funds/Money Market \$ _____
 Stocks/Bonds \$ _____
 College Funds \$ _____
 401(k)/403(b)/TSP \$ _____
 Other (IRAs, etc.) \$ _____

Real Estate (Market Value) \$ _____
 Home \$ _____
 Rental Property \$ _____
 Other (Vac Home/Trailer/Time Share) \$ _____

Personal Property

Vehicles/Motorcycles/Boats \$ _____
 Furniture \$ _____
 Jewelry \$ _____
 Other (Collectibles, etc.) \$ _____

LIABILITIES

Signature Loans \$ _____
 Auto Loans or Leases \$ _____
 Consolidation Loans \$ _____
 Student Loans \$ _____
 AAFES (Star Card) \$ _____
 Department Store Credit Cards \$ _____
 Other Credit Cards \$ _____
 AFAS (Loan) \$ _____
 Other (Friends, Relatives, etc.) \$ _____
 Advance/Over Payments \$ _____

Mortgages-Balances Due

Home \$ _____
 Rental Property \$ _____
 Other (Vac Home/Trailer/Time Share) \$ _____

TOTAL ASSETS \$ _____

TOTAL LIABILITIES \$ _____

NET WORTH
(Assets - Liabilities) \$ _____

Counseling Provided By: _____

Counselor Phone #: _____

Appointment Date: _____ Time: _____

Place: _____

Preparing a Spending Plan



How Much Can You Afford?

NET INCOME

- ▶ **25% TOTAL**
- ▶ **15% = Car Payment**
- ▶ **10% = M - I - OE - T**
 - ▶ **Maintenance**
 - ▶ **Insurance**
 - ▶ **Operating Expenses**
 - ▶ **Taxes**

Debt-to- Income Ratio



A useful tool in determining your financial stress level. Do the math and consider where you are before taking on further debt.

1. **Net Income** (Gross monthly pay minus taxes only; i.e., federal taxes, state taxes, and Social Security.) 1. _____
Total

2. **Installment Credit** (Include charge accounts, car payments, advance pay, overpay, etc. Do not include rent, mortgage, utilities, or insurance payments.)

<i>Creditor</i>	<i>Monthly Payment</i>	
A. _____	\$ _____	
B. _____	\$ _____	
C. _____	\$ _____	
D. _____	\$ _____	
E. _____	\$ _____	
F. _____	\$ _____	
G. _____	\$ _____	
H. _____	\$ _____	2. _____ Total

3. Divide line 2 by line 1, multiply by 100

(2) _____ ÷ (1) _____ x 100 = _____ %
Total

Percent
Less than 15%
15% - 20%
21% - 30%
Greater than 30%

Status
Some additional credit may be used with caution.*
Fully extended.
Overextended.
Seriously overextended. Seek help!

* Will the additional monthly payment put you over 20%? Large families may have a difficult time with 16% or more.

Determining Your Car Payment



Determining Car Payments

When purchasing a vehicle, the most commonly asked question is:

"How much will my monthly payments be?"

The answer of course will depend on the amount financed, the number of months financed, and the interest rate.

Remember, the larger your down payment, the less your monthly payment will be.

To use the chart, the following steps apply:

1. Cross the interest rate with the number of months you wish to finance for and locate your multiplier.

For example:

9.5% at 36 months is .0320332,
9.5% at 48 months is .0248853,
and
9.5% at 60 months is .021002.

2. Multiply the total amount you plan to finance by the multiplier and you will have your monthly payment.

For example:

\$10,591.00 at 9.5% for 36 months =
\$10,591.00 x .0320332 = \$339.26
per month,

\$10,591.00 at 9.5% for 48 months =
\$10,591.00 x .0251235 = \$266.08
per month,

\$10,591.00 at 9.5% for 60 months =
\$10,591.00 x .021002 = \$222.43 per
month.

%	36 Months	48 Months	60 Months
7%	.0308772	.0239465	.0198015
7.5%	.0311065	.024179	.020038
8%	.0313365	.0244131	.0202762
8.5%	.0315674	.024648	.0205168
9%	.0317999	.0248853	.0207582
9.5%	.0320332	.0251235	.021002
10%	.0322673	.0253624	.0212466
10.5%	.0325305	.0256322	.0215236
11%	.0327387	.0258452	.0217424
11.5%	.0329761	.0260891	.0219927
12%	.0332142	.0263337	.0222446
12.5%	.0334654	.0265799	.0224981
13%	.0336938	.0268278	.0227533
13.5%	.0339351	.0270765	.0230101
14%	.0341773	.0273268	.0232686
14.5%	.0344212	.0275779	.0235285
15%	.0346655	.0278307	.0237901
15.5%	.0349104	.028085	.0240534
16%	.0351567	.0283402	.0243183
16.5%	.0354046	.028597	.0245848
17%	.0356524	.0288554	.0248529
17.5%	.0356524	.0291146	.0251219
18%	.0359019	.0293746	.0253932



What Type of Car Should You Consider?

- ▶ **New**
 - ▶ Mechanical Problems - fewer
 - ▶ Depreciation (10 to 40%)
 - ▶ Warranties / Extended

- ▶ **Used**
 - ▶ Mechanical Problems - more
 - ▶ Depreciation - less
 - ▶ Warranties / “As Is”



Performance

- ▶ **Consumer Reports
Annual Auto Issue (April)**
- ▶ **Internet Websites
(See Sources of Help)**
 - ▶ **Service**
 - ▶ **Repairs**
 - ▶ **Safety Ratings**



What about Insurance?

- ▶ **Get insurance quotes**
- ▶ **Figure into spending plan**
- ▶ **Can cost more than car payment!**





Where should you buy?

- ▶ **New Car Dealership**
- ▶ **Used Car Dealership**
- ▶ **Car Buying Service**
- ▶ **Rental Car Agencies**
- ▶ **Bank Repossessions**
- ▶ **Newspaper Classifieds**
- ▶ **Individual Owners**
- ▶ **Internet**





Which Dealership?

- ▶ **Years**
- ▶ **Complaints**
- ▶ **Sales Persons**
- ▶ **Mechanics**
- ▶ **References**
- ▶ **Professional Membership**
 - ▶ **BBB**
 - ▶ **NADA - New**
 - ▶ **NIADA - Used**



Dealer vs. Private

▶ Dealer

- ▶ Repair Plans
- ▶ Cost More
- ▶ Some Consumer Protection

▶ Private

- ▶ No Repair Plans
- ▶ Cost Less
- ▶ Little Protection



More Buying Options

- ▶ **Car Buying Services**
 - ▶ **USAA**
 - ▶ **NCOA**
 - ▶ **Auto-by-Tel**
 - ▶ **Internet Resources**
 - ▶ **Defense Credit Unions**



What is a Fair Price?

What about...
Base Price?
Invoice?
Sticker Price?
Monroney?
Options?
Destination Charge?

- ▶ Public Library
- ▶ NADA Book
- ▶ Kelley Bluebook
- ▶ Edmunds
- ▶ Intellichoice
- ▶ Consumer Reports
- ▶ Internet



Leasing

- ▶ **Should you lease?**
- ▶ **Understanding “lease-speak”**
- ▶ **Negotiating a lease**
- ▶ **Lease-end options**



Negotiating

- ▶ **Information**
- ▶ **Trade**
- ▶ **Money Down/Deposit**
- ▶ **Discount**
- ▶ **Like Car**
- ▶ **Shop Twins**





Negotiating

- ▶ **Paying by Cash**
- ▶ **Options**
- ▶ **Road Test**
- ▶ **Extended Warranty**
- ▶ **Best Time to Buy**
- ▶ **Purchase**
- ▶ **180-Degree Turn**

Tricks of the Trade



Put-To-Ride:

When a salesman cannot convince you to buy today, he insists that you leave your trade-in at the dealership, keep the new car overnight, and drive it home. This way no other dealership can see your trade-in, your neighbors and relatives see the car, you fall in love with it and have a hard time saying no to purchasing the car when you have to bring it back the next day.

Solution: Refuse to take the new car home overnight, and take your trade-in off the dealer's lot.

Low-and High-Balling:

Low-balling occurs when the salesperson quotes you a price on a car that is lower than the current market price. This is done to assure that you will return to him/her before signing with anyone else just to see if his offer still stands. At this point, he will tell you that he can't sell the car for that low a price because the sales manager will not allow it. High-balling is the same as low-balling, except that a high trade-in allowance figure is offered to you. Again, you come in later and the manager will not allow it.

Solution: When faced with low-or high-balling, leave and start working with another dealer!

Bait and Switch:

When a dealership runs an ad with a picture of a well-equipped car with a price of a stripped down model to entice you to come in. You are then shown the stripped down model and quickly switched to the well-equipped one with a higher price tag.

Solution: Demand to see the manager to express your dissatisfaction. Ask for a large discount. If they're not willing to deal, leave.

Mutt and Jeff Routine:

When the salesperson plays the role of the "good guy" and the manager plays the "bad guy" to enhance the image of the salesperson. The salesperson and manager may even stage an argument in front of you, with the salesperson trying to persuade the manager to give you a lower price. Once you believe that the salesperson is on your side, you drop your guard and become an easy mark.

Solution: Leave the scene and think about the offer overnight before purchasing the car. Comparison shop in the meantime.

Padding:

Adding charges that increase the dealers' profit at the time you sign the contract; i.e., undercoating, protection packages, dealer installed options, credit life insurance, disability insurance, extended warranties, etc.

Solution: Read the contract very carefully, on your own time. Refuse to sign if it is not what you originally agreed upon.

Your Car:

When the salesperson keeps referring to the car as "your car" to get you unconsciously to accept ownership of the car. Once accomplished, it is easier to get you to sign the contract.

Solution: Keep reminding the salesperson that you have not yet decided to purchase the car and make it "your car."



Deal #2: The Financing

- ▶ Places to finance
- ▶ Finance charges
- ▶ Contracts





Places to Finance

- ▶ **Banks/Credit Unions**
 - ▶ **Secured loans**
- ▶ **Dealerships**
- ▶ **Finance Companies**
- ▶ **The Internet**

Questions to Ask Car Dealers



About Special Dealer Promotions:

Does the advertised trade-in allowance apply to all cars, regardless of their condition?

Does a large trade-in allowance make the cost of a new car higher than it would be if you didn't have a trade-in?

Is the dealer who offers high trade-in allowances and free or low-cost options actually giving you a better price on the car than another dealer who does not offer such promotions?

Does the dealer's invoice reflect the costs of options, such as rustproofing or waterproofing, that have already been added to your car? What are other dealers charging for these options?

Does the dealer have other cars in stock without expensive added features? If not can the dealer order one?

Are the special offers available only if you order rather than buying it off the lot?

Can you take advantage of all special offers simultaneously?

About Low Interest Dealer Financing:

Will you be charged a higher price for the car to qualify for the low financing?

Does the low-rate financing require a larger-than-usual down payment? Say 25%-30%?

Are you required to pay the loan off in a shorter period of time, say 12 or 24 months, in order to qualify for the low-rate financing? If this is the case, your monthly payments will be higher.

Do you have to buy extra merchandise or services to qualify for the low-rate financing?

Is the financing available for a limited time only, and does it require that you take delivery of the car by a specific date?

Does the low interest rate apply to all cars or only certain models in stock?

If a manufacturer's rebate is offered, are you required to give it to the dealer to qualify for the financing?



Remember, careful shopping will help you decide what financing, which car, and which options are best for you!



Finance Charges

- ▶ **Interest**

- ▶ **Add-on**

- \$1000 for 1 year at 12%:
\$120.00 finance charge**

- ▶ **Simple**

- \$1000 for 1 year at 12%:
\$66.19 finance charge**

- ▶ **Usury laws**

The Purchase Contract

INSTALLMENT SALE CONTRACT FOR TITLED VEHICLE AND EQUIPMENT

Account No.	Dealer No.
Buyer (and Co-Buyer) Name(s) and Residence Address(es) John Dough DSC 41 123 ABW APO AE 09500-0001	Creditor (Seller) - Name and Business Address Fib's Auto 804 Lemon Lane Anytown, USA

After thorough examination, Buyer hereby buys from Seller, grants Seller a security interest in, and acknowledges delivery and acceptance of the following described property ("Property") at the price and upon conditions herein stated, this Contract being valid only upon purchase and acceptance by assignee. This sale is not contingent upon financing on terms satisfactory to the parties hereto.

DESCRIPTION OF PROPERTY					
New or Used	Year	Make and Model	Body Type	Vehicle Identification Number	Primary Use Intended
Used	97	Buick Skylark	4 DR SEDAN	4G3RF1234BB567890	<input checked="" type="checkbox"/> Personal <input type="checkbox"/> Business
<input checked="" type="checkbox"/> Air Conditioning <input type="checkbox"/> Radio		<input checked="" type="checkbox"/> 4-5 Speed Trans. <input type="checkbox"/> Power Steering		<input checked="" type="checkbox"/> Agricultural <input type="checkbox"/> Other	
<input type="checkbox"/> Sun Roof		<input checked="" type="checkbox"/> Stereo <input checked="" type="checkbox"/> Automatic Trans.		<input type="checkbox"/> Custom Wheels	
<input type="checkbox"/> Other (describe)					Odometer Miles 106,091

THE FINANCE CHARGE IS CALCULATED ON A Precomputed Simple Interest Basis

FEDERAL TRUTH-IN-LENDING DISCLOSURES

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS	TOTAL SALE PRICE
The cost of your credit as a yearly rate. 18 %	The dollar amount the credit will cost you. \$ 1171.00	The amount of credit provided to you or on your behalf. \$ 6509.00	The amount you will have paid after you have made all payments as scheduled. \$ 7680.00	The total amount of your purchase on credit, including your down payment of \$ 1300.00 \$ 8980.00

YOUR PAYMENT SCHEDULE WILL BE

NUMBER OF PAYMENTS	AMOUNT OF PAYMENTS	WHEN PAYMENTS ARE DUE
24	\$ 320.00	Monthly Beginning 6 mos. ago
A Final Payment of	\$	Due On

Late Charge. If a payment is not paid in full within 7 days after it is due, you will pay a late charge of 5% of amount of payment due.
Prepayment. If you pay off early on a Contract with a precomputed finance charge, you will be entitled to a refund of part of finance charge. If the finance charge is calculated on a simple interest method, you may have to pay a prepayment penalty.
Security Interest. You are giving a security interest in the Property and related equipment being purchased and in our right of setoff.

ITEMIZATION OF AMOUNT FINANCED

1. Cash Price (including any accessories, services, and taxes)	\$ 5997.00
2. Total Downpayment = Net Trade-in \$ 0.00 + Cash Downpayment \$ 1300.00	
Your trade-in is a (YEAR) (MAKE) (MODEL)	\$ 1300.00
3. Unpaid Balance of Cash Price (1 minus 2)	\$ 4697.00
4. Other Charges Including Amounts Paid to Others on Your Behalf:	
A. Cost of Required Physical Damage Insurance Paid to the Insurance Company Named Below - Covering Damage to the Vehicle.	\$ 710.00
B. Cost of Optional Mechanical Repair Coverage for Certain Mechanical Repairs	\$ 720.86
C. Cost of Optional Credit Insurance for the Term of this Contract Life \$ 0.00 Accident and Health \$ 0.00 Total	\$ 0.00
D. Official Fees Paid to Government Agencies	\$ 19.52
E. Taxes Not Included in Cash Price	\$ 198.62
F. Government License and/or Registration Fees (Itemize)	\$ 125.00
G. Government Certificate of Title Fees	\$ 38.00
H. Other Charges (Seller must identify who will receive payment and describe Purpose to Road USA for Car Club to for	\$ 0.00
Total Charges and Amounts Paid to Others on Your Behalf	\$ 1812.00
5. Amount Financed — Unpaid Balance (amount of credit you will receive) (3+4)	\$ 6509.00



Contracts

- ▶ **Read the fine print**
- ▶ **Federal Truth-in-Lending**
- ▶ **Physical damage insurance**
- ▶ **Mechanical repair coverage**
- ▶ **Car protection packages**



Contracts (Cont.)

- ▶ **Credit life/Credit disability insurance**
- ▶ **Taxes, license, registration, title, etc.**
- ▶ **Power of the pen**
- ▶ **Don't leave any blanks**
- ▶ **Talk to legal before signing**

The background of the slide is a dense, overlapping pattern of US dollar bills, primarily \$100 bills, rendered in a light blue color. The bills are slightly out of focus, creating a sense of depth and abundance. A white rectangular box with a thin red border is centered on the page, containing the main title.

Deal # 3: The Trade-In

“Financial Readiness Means Mission Readiness”



Trading

- ▶ **Trading vs. selling outright**
- ▶ **What is a fair price?**
- ▶ **What is dealer willing to pay?**
- ▶ **What if you owe more than it's worth?**

The background of the slide is a dense, overlapping pattern of US dollar bills, primarily in shades of blue and purple. The bills are slightly out of focus, creating a sense of depth and abundance. The text "Your Legal Rights" is centered in a white box with a thin red border.

Your Legal Rights

“Financial Readiness Means Mission Readiness”



Legal Rights

- ▶ **State Lemon Law**
- ▶ **Odometer Reading**
- ▶ **Used Car Buyer's Guide "As Is" vs. Implied/Expressed Warranty**
- ▶ **Magnuson-Moss Warranty Act**
- ▶ **State Auto Repair Facilities Act**



Complaint Resolution

- ▶ **Dealer/Point of Sale**
- ▶ **Regional Manufacturer's Representative**
- ▶ **Professional Associations**
- ▶ **State Attorney General/Office of Consumer Affairs**
- ▶ **Armed Forces Disciplinary Control Board**

Sources of Help

"SOURCES OF HELP"

Agencies

- First Sergeant
- Unit Financial Specialist
- FSC
- Armed Forces Disciplinary Control Board
- Better business Bureau
- State Attorney General or Consumer Protection Agencies
- Credit Unions—Car Buying Assistance Programs
- National and local Automobile Dealers Associations (NADA)

Information

- Consumer magazines
- Kelley Blue Book and NADA Official Used Car Book
- New Car Pricing Guides (Edmunds, Intellichoice)
- Your Local Library

Web Sites

- www.afcrossroads.org
- www.consumerworld.org
- www.nada.com
- www.kbb.com
- www.edmunds.com
- www.intellichoice.com
- www.autobytel.com
- www.carpaint.com
- www.autoweb.com
- www.autopedia.com
- www.carfax.com
- www.carlemon.com
- www.highwaysafety.org

REMEMBER!

- Do your homework
- Keep it three separate transactions: the purchase, the financing, the trade-in
- Have used cars checked by a trusted mechanic before purchase
- Have JAG check the contract before signing
- Beware of the "tricks of the trade"
- Do your budget to KNOW what you can afford

Everything is Negotiable!



Test Your Knowledge

- ▶ **What are the 3 deals of car buying?**
- ▶ **TRUE or FALSE:**
 - ▶ **JA will check out a car contract before you sign it.**
 - ▶ **You may get a better deal on financing from credit unions.**
 - ▶ **A car can take up to 25% of your net income.**



Test Your Knowledge

▶ TRUE or FALSE:

- ▶ You don't need to get a used car checked by a mechanic.
- ▶ Leasing is always a better deal.
- ▶ The dealership will give you the best price on your trade-in vehicle.
- ▶ There is no one to help you buy a car -you are on your own.