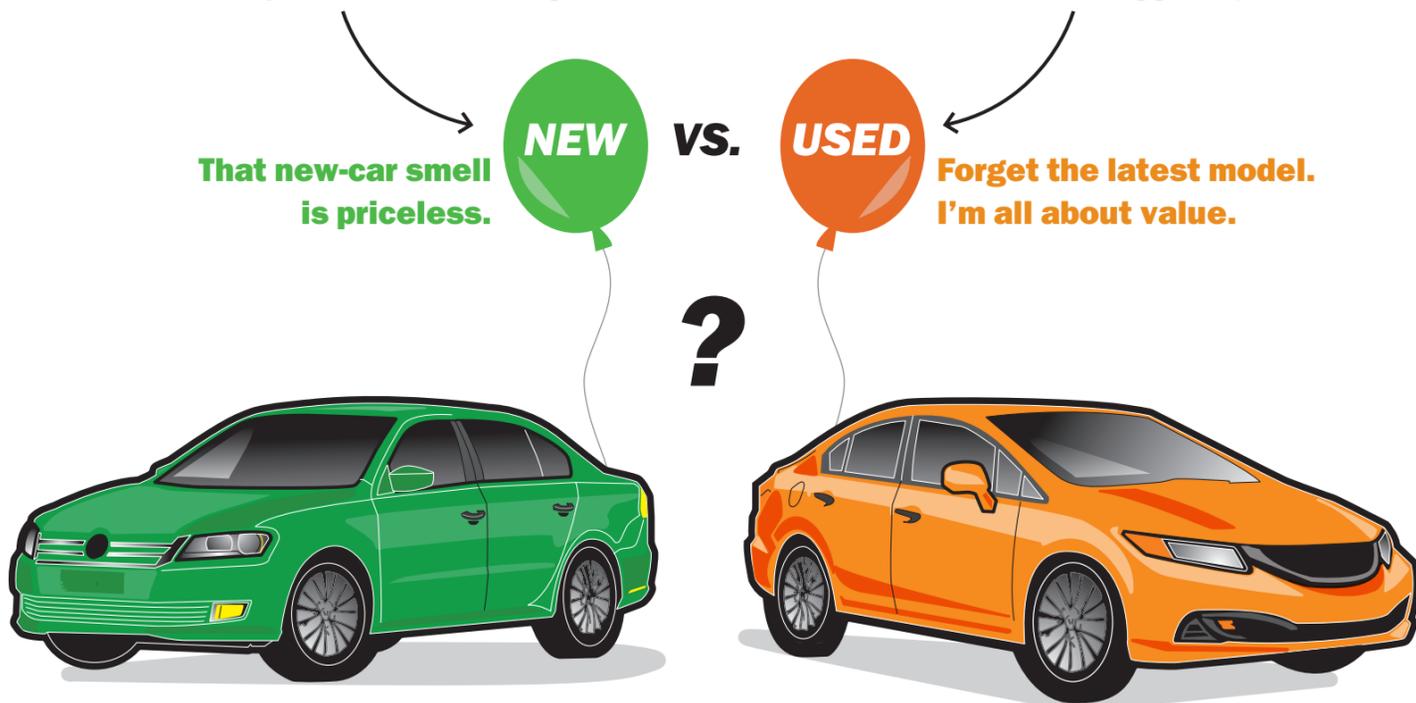


# DRIVER'S ED

There are plenty of forks, dead ends, and potholes on the road to buying a car. Consider this your GPS for arriving at the best deal. Let's start with the biggest question:



**Plan ahead.** Before you set foot in a dealership, think about your new car's resale value. [KBB.com](http://KBB.com) and [Edmunds.com](http://Edmunds.com) keep updated lists of cars that best maintain their worth.

**Think lightly used.** The average sedan loses more value in year one than in years two, three, and four combined. So your best deal may be a second-year car that's still under warranty.

**NEVER PAY THE STICKER PRICE.**

Get the factory invoice price (what the dealer paid for the car) from [Edmunds.com](http://Edmunds.com) or [KBB.com](http://KBB.com), and use it as a starting point for your negotiation. Pay no more than 5% above invoice.

**GET THE CAR HISTORY.**

Ask for a Carfax report, which includes service and inspection records; major accidents; mileage; title info; and so on. Check the recall database, too: [vinrcl.safercar.gov](http://vinrcl.safercar.gov).

**RESEARCH INTEREST RATES.**

Check banks and credit unions. If you like the terms, get preapproved. This puts you in a better bargaining position when you're at the dealership.

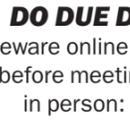
**CONSIDER A CERTIFIED PREOWNED VEHICLE.**

CPOs are inspected by the dealer, with lower mileage than many other used cars and a manufacturer-backed warranty. (Just make sure you understand what's covered.)



**BE WARY OF DEALER FINANCING.**

Dealers make their money with financing. Even if you negotiate \$1,000 off the price, a high-interest loan can wipe away the savings.



**DO DUE DILIGENCE ON PRIVATE SALES.**

Beware online listings in particular. Never send money before meeting the seller and evaluating a used car in person: Test-drive it and pay an independent mechanic to inspect it.

## 3 AUTO FINANCING RULES

**1. Don't reveal what you can afford in monthly payments.**

This is the dealer's first question. Once he knows, he can adjust the length of repayment or interest rate to make more money off the deal while still meeting your monthly maximum. Instead, say you want to settle on the exact price of the car before you talk financing.

**2. Put down at least 20%.**

Low down payments mean big loans with hefty interest payments. If you can afford it, and you don't have other high-rate debt, pay the entire cost of the car up front.

**3. Get a loan with a term of four years or fewer.**

A longer term may mean lower payments, but it also means more interest paid and the possibility of owing more than the car is worth by the time you sell it or trade it in.



## LEASING: A BAD DEAL

Unless you're the kind of person who insists on driving a new car every year—and given how much money you'd blow doing that, why would you be?—avoid leasing. You're essentially renting a car for a fixed number of years. Each month, you pay for its decline in value, plus interest. If you drive a lot or are lousy with upkeep, you could owe additional money for extra mileage or repairs when the contract ends. Need to break your lease? You'll pay penalties for "early termination." Finally, while you lease, you're never not making a payment. And when it's over, you've got nothing to show for all the money you spent.