

Buying a Used Car

This simple guide to buying a used car shows you what to check for and how to get the best deal.

Benefits of buying used

- **Lower price:** Buying a used car is more cost-effective than buying a brand-new car
- **Wider selection:** As used cars are cheaper than brand-new cars, you widen the number of cars to choose from
- **Avoid depreciation:** In the first two years of ownership, a new car will lose about 30% of its original value
- **Resale value:** If you sell your used car in a few years, you will lose less money on the resale than if you had bought it new

Step 1: Research

Set a realistic price range:

- Include insurance and repairs, plus features you need
- You don't want to be stuck with monthly payments you can't afford
- Only look for makes and models that fit into your price range

Figure out what kind of car you need:

- **Compact:** Up to 4 people, good for hauling books and takeout, ideal for lots of highway driving or commuting
- **Sedan:** Up to 4 people, good for hauling groceries and a few boxes, ideal for a mix of around town and highway driving
- **Van:** More than 4 people, good for hauling lots of people and stuff on a regular basis, ideal for around town with the occasional

long distance trip

- **Truck:** 2–4 people, good for hauling work tools, equipment or pulling a trailer, if you tow equipment a lot consider a diesel engine

Get pre-approved for financing:

- If you don't have the cash to buy your used vehicle outright, you'll need to get an auto loan
- Being pre-approved for an auto loan from your credit union is a good idea
- You'll know how much you can spend, which will give you some negotiating power with a dealer or used car lot, as they'll know you are serious

Find your vehicle:

- Visit the manufacturers' websites to find a model you like
- Visit websites that research and investigate vehicles for consumers to find out all you can about the vehicle you like—try consumerreports.org, edmunds.com and kbb.com
- Visit your local dealer, used car lot or classified ads and start tracking that vehicle down

Advantages of a private seller:

- **Great deals:** When you buy directly from a person, you can often find a really good deal
- **Less intimidating negotiations:** Negotiating can be less intimidating because you're working with a regular person, not a highly trained sales professional
- **No unnecessary costs:** Dealerships often try to charge for unneeded extras

Advantages of a dealer or used car lot:

- **Warranty:** Most dealers offer a warranty, which will give you the peace of mind that the car that you're buying is in good working condition
- **Extras:** Dealers will often throw in extra services for free that a private seller can't, like a free oil change
- **Trade-ins:** Dealers take trade-ins, which can lower the amount you have to pay for the car you are buying

Disadvantages of a private seller:

- **No consumer protection:** If you discover after the sale that the car has a problem (known or unknown by the seller), it immediately becomes your problem
- **Annoying negotiations:** Owners tend to be more attached to their cars than dealerships and can be difficult to work with

Disadvantages of a dealer or used car lot:

- **Higher prices:** List prices at dealerships tend to be more expensive than when buying directly from a private owner
- **High-pressure negotiation:** Negotiation with used car salespeople can be high pressure, as selling is what these folks do for a living

Step 2: Evaluate

Before you start the car, give it an initial inspection:

- **Inspect the exterior:** Look for offset doors and fenders, cracks and differences in paint color, as this may indicate body damage—if you spot new paint, tap along the repainted areas;

a change in the sound can reveal repairs and body work

- **Look for rust:** Check underneath the car for rust—a used car with a rusted frame isn't structurally sound
- **Check the interior:** Inspect the interior for wear and tear and water damage and check the odometer—if it shows low mileage but the inside of the car is disheveled, the car may not be what it appears to be
- **Check the tires and wheels:** Look for even tire wear—uneven wear could mean that the wheels or suspension are out of alignment
- **Look at the engine:** If you see rounded or stripped nuts and bolt heads, it may indicate shoddy repair work; check for new spark plugs—it is a good sign that the car has undergone regular maintenance; make sure the coolant is clear and the oil, transmission fluid and brake fluid are all the correct colors

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Now, take the car for a test drive:

- **Be sure to drive it cold:** A cold engine will tell you a lot more than a warm engine will
- **Plan your route:** Your test drive route should cover different types of roads—try to drive on highways, city streets and rural roads
- **Vary the terrain:** Find a bumpy road to see how the car responds—if you feel like you're being thrown around, the shocks are likely worn out
- **Check the controls:** Test the wipers, lights, turn indicators, stereo, and the heat and air-conditioning controllers
- **Check the alignment:** While driving, momentarily take your hands off the steering wheel to see if the car pulls to the left or right
- **Check the gearbox:** Gears should shift smoothly—if you hear any grinding noises, there is likely something wrong with the transmission

- **Check the brakes:** Find an empty road, accelerate and hit the brakes hard—if the car pulls to one side, there may be a loose caliper

Vehicle history report:

- Get a comprehensive report of the vehicle's history—these reports often cost money, but they are worth it
- For no charge, carfax.com will show you how many records are available for a specific Vehicle Identification Number (VIN); however, if you want to view the records, there is a charge

Step 3: Negotiate

You've found a car you're happy with and now you want to buy it. Remember, dealers don't just make their money on the selling price.

- **Front end:** Dealers make money on the front end by selling the car for more than what they paid for it
- **Back end:** Dealers make money on the back end by selling financing, extended warranties and add-ons like rustproofing
- **Trade-in:** If you have a trade-in, dealers make money on the difference between what they pay you for your car and what they get when they sell it

It's time to negotiate. Dealers build about 20% gross margin into the asking price of the used car.

- **Research the price:** Find out what the going price is in your area for the type of car you want—check out classified ads in the paper or online to get an idea of prices
- **Make an offer:** Offer 15% below the asking price—tell the

salesperson that you know there's about 20% gross margin in the price and that you want him or her to make a profit

- **Turn down add-ons:** If you're buying a used car from a dealer and they try to sell you add-ons, just say no—you can likely find a cheaper source elsewhere

Be prepared to walk away. In any negotiation, be ready to walk away—be flexible in your choice and don't get too attached to one car.

Sources: CARFAX.com, ConsumerReports.org, Edmunds.com