

FREE YOUR MIND

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Will That Be New or Used?

There are a lot of individuals out here that are struggling day to day, just to get by. Even though they make lots and lots of money, they STILL seem to struggle. But what is terrible about it is... The solution is always simple. LOWER YOUR EXPENSES! Of course, that is always easier said than done. Not because it's easier said than done... but because people get trapped into a vanity based lifestyle (that they don't even realize they are in) and they can't break the mental chains and get out!

You see, gazillions of people go to public schools every year and come out fine. Many of them go on to become millionaires. But suddenly, when a couple makes over a "certain" amount of money, their kids will end up being "stupid" if they don't go to a private school. Even if the parents went to public schools themselves! So are those parents stupid? Well, if they let their finances go down the drain and end up out of house and home just to send their kids to private school, they probably are (Yeah, I said it).

A husband and wife can have ONE child, and may not plan on having any more children ever. But if they make over a "certain" amount of money, a 2, 3, or even 4 bedroom home just won't do. Now why is that?

We are dealing with unwritten rules that have been given to us by people who don't have our, but only their best interest at heart. Everybody is broke, because the more you make, the more you spend!

With all that being said, one of the easiest ways to cut expenses is simply to change the car you drive! A simple downgrade can free up hundreds of dollars per month (more on that later). And you won't miss a beat. Because all you need a car for is transportation! In my article "Do you need a financial analyst" I exposed how we have been tricked into believing otherwise.

Now of course if you want to impress your friends, and continue to "front" like you have it all together when you really don't, you may want to consider the following

Video will be here

And of course, there are always those who make arguments that buying a new car makes more sense. When I hear these argument I always think, "Yeah right, you just want to get the latest ride so you can look like you got it goin on!"

But if you are looking to save money and make the best overall economic choice for your vehicle (whether it is a replacement for your current, or your first), you may want to consider these tips on purchasing a car from the debt free bible at <http://www.debtfreebible.com>

Never Buy a New Car... Unless You Have Money To Burn

Looking around at the cars on our highways, you would think that a new article has been added to the Bill of Rights – the right to buy and drive a brand new car. Even in these times of tightening credit, Americans love their new cars and trucks.

It used to be that we paid cash. Back in the 1950's over a third of new car buyers forked over cold hard cash for their new ride. Today only 7% of us can afford to do that. The reason might be our cars have changed from being a form of transportation to becoming a status symbol. With the average price tag of a new car now over \$28,000 it might well be time to re-consider our love affair with the new car smell.

True Net Cost of Ownership

Before we give in to the urge to buy a new car, we should consider the “true net cost of ownership.” We pay for every single minute we own a car. There are the normal costs of operating the car, like fuel, insurance, maintenance, and repairs. And there are the financial costs of owning a car, like taxes and interest.

But without a doubt the biggest cost of owning a new car is depreciation. As soon as we drive it off the lot, the value of our new “pride & joy” drops from a retail price to a wholesale price. And then that new car loses 15 to 20% more of its value each year we own it.

You do the math. How much did you pay for your last new car? \$25,000? The minute you drove it off the lot it dropped to about \$20,000. After three years, it depreciated down to less than \$13,000 at an annual depreciation rate of 20%. And this is assuming you've taken good care of it and haven't had any accidents. In three years, your new car “investment” has lost about half of its value. And worse yet, if you took out a loan for that new car, you were financing a depreciating asset. That's just plain financial bad news.

New vs. Used

Instead of splurging on our new dream car, it makes better economic sense to buy a good used car. Today the average sales price of a used car is \$14,000. Sure, you could buy a brand new “econo-box” for that, but why not get a loaded mid-size used car for the same price?

Here are some factors to consider as we make our new vs. used car decision:

- Insurance: Your auto insurance premiums will most likely be less with a used car. Why? The cost of comprehensive insurance is lower when the value of the vehicle is less.

- Interest rates: Loans on used vehicles are usually at a higher interest rate and shorter term than for a new car. But don't be misled by the “zero percent interest” ads on TV for new cars. Those ads also say that interest rate is “for well qualified buyers.” Guess what? If you don't have a spotless credit report, you're not a “well qualified buyer.”

- Maintenance costs: Chances are your maintenance and repair costs on a used car will be higher than for a new car. But be sure to check on warranties - some used cars may still be under the new car warranty. Manufacturers have been offering 5 year/ 100,000 mile warranties that are transferable.

But the big factors that really have an impact on our new vs. used decision are the lower depreciation and lower initial price for a used car. Those two factors more than make up for any new car advantages.

How to Buy a Used Car

Here are some tips on how to select a good used car. Start by doing some online research on models and selling prices. Websites from Edmunds and Kelly Blue Book provide some good information – but remember that used car prices vary from region to region.

(Visit www.edmunds.com and www.kbb.com for more information.)

It's better to get a used car from a dependable manufacturer, like Toyota, Lexus, and Honda, than some marginal car company. Sure, they might cost a little more, but for good reason – they're usually better built. Check the JD Power ratings online for vehicle quality, performance, dependability, and safety. (Visit www.jdpower.com.)

Look for a used car that has a reasonable number of miles on it. Typical drivers put 12-15,000 miles on per year. Multiply the age of the vehicle by 12-15,000 and ALWAYS remember that true F-R-E-E-W-A-Y mileage puts less wear and tear on a car than stop-and-go or city mileage.

You'll have a choice of buying the used car from a dealership, or from a private party. The main difference is service after the sale. Although you'll probably pay more for the same car if you buy it from a dealership, they should offer you a limited warranty that will cover repairs for a certain period of time. New car dealers usually sell their better quality trade-ins themselves; the other trade-ins they sell to used car lots or auctions.

Maybe you have a friend who found a "cream-puff" used car in the newspaper classified ads ("only driven on Sundays by a little old lady"). It happens – but don't count on it. If you buy from a private party like that, pay to get the car checked out by a reputable mechanic. Maybe the little old lady didn't know the difference between motor oil and salad oil.

If you can, pay cash. If you pay cash for your car, you can only buy what you can afford. It makes good economic sense to pay cash, even if it means waiting until you can save up. If you're not paying cash, arrange for financing before you go car shopping. Stop by your local credit union; they often offer lower interest rates than your bank, and certainly lower than the car dealer will give you. Of course, you'll need a good credit rating to qualify for the lowest interest loans.

Negotiate before signing. As Americans, we are not accustomed to negotiating the price of most things we buy. But in the land of cars, you'd be a fool not to offer a low price and then negotiate from there. (Don't try this at Wal-Mart; they won't be amused.)

Don't tell the car dealer you're not financing with them until you've negotiated the price for your car. Why? Because car dealers make money from each loan they write. Some say a car dealer makes as much off the financing as they do from selling the car. If you tell the dealer you'll be paying with cash or a loan from another lender, the dealer won't be as likely to negotiate the price with you.

Don't fall in love with a car. It's happened to all of us; for me it was that Mustang coupe I saw on the lot when I was in high school. If you become too invested in (or in love with) a car, you'll be much less likely to negotiate. Be ready to walk away from the deal.

That's where a friend can be helpful. Take a friend with you when you go car shopping. It not only gives you someone to talk with during the waits, but also someone to stop you from doing something stupid. (A pink Cadillac? What are thinking, dude?)

Consider buying a vehicle history report. Companies like CarFax offer a history of the used car you're considering. You provide the vehicle identification number, and they claim to "search a nationwide database to help you avoid hidden problems." Maybe the car was in a major accident or flood. Was the odometer rolled back, or was the car stolen? The report might indicate that the vehicle was a rental car, or even a taxi (No wonder it's yellow!) But is a CarFax report worth it? Maybe not at about \$25 for a single car. But you can get an unlimited number of reports on cars for a month for \$30.

MORE IMPORTANT THAN A CARFAX REPORT is the vehicles service history. Many dealerships now use national databases (i.e. Lexus, Toyota and Honda) which will show ALL service done to a vehicle at the dealership no matter what state the vehicle is in. The best vehicle to buy is one from the original or second owner who has all the service history from day one. A good service history will tell you more about a car and its' owner than any salesman ever can!

Finally, beware of unnecessary add-ons by the dealer. They may try to get you to buy Lo-Jack or extended service warranties. It's your hard earned money – don't part with it easily.

Summary

We really believe that buying a used car is the way to go. You'll avoid that money-sucking depreciation on the value of a new car, and most likely end up with a nicer ride for a much lower price. And your car might come with a new option – the "no car payment" option.

Consumer Publishing Group is the publisher of the Credit Secrets Bible (in print since 1994) and the all new Debt Free Bible. For more information, visit their website at <http://www.debtfreebible.com>

Also consider the following place where you can get Good Cheap Cars

<http://freeyourmindonline.net/resources/good-cheap-cars.html>

I hope this has helped.

Until next time,

Free Your Mind... Online,

Matt Mason

For more resources, visit the Resource Center

<http://freemindonline.net/resources.html>