

USED CAR

BUYING GUIDE



© ADOBE STOCK

How Much Can You Afford?

The first step to determining which used car to buy is determining how much you have to spend. There's not one right answer, but here are some rules of thumb that can keep you in the black.

Experts at Edmunds say a payment on a used car should be no more than 10% of your monthly take-home pay. That's because you'll also need to factor in fuel, insurance and other costs of ownership.

Start by adding up what you spend every month, including rent or mortgage, groceries, child expenses, savings and entertainment. Subtract that total from

your take-home pay and see what you can afford.

TOTAL COST OF OWNERSHIP

Then, determine your fuel expenses and cost of insurance. You can use the EPA's [Fueleconomy.gov](https://www.fueleconomy.gov) website to find out annual fuel costs for many vehicles.

Contact your insurance company about the vehicle you're

interested in or get an online quote to determine how much that's going to be.

If you're paying over time, you'll also need to figure in financing costs, including interest rates and other fees. Also look at your state's registration fees, sales tax and any other costs from the transaction. Bear in mind that some registration fees aren't one-time purchases.

You may want to opt into additional purchases, such as GAP insurance, warranties and maintenance plans. The total, remember, should be no more than 10% of your monthly take-home pay.

DETERMINING THE WORTH OF YOUR TRADE

If you're planning to trade in a vehicle, figure in how much that vehicle is worth and subtract it from the new-to-you car's price. There are many websites to help you value your vehicle, but view it as a range. Different areas have different in-demand vehicles, and the value depends on the local market.

You can use some of the same calculators to tell you whether the price of the car you're considering is fair, too. Again, remember these calculators often don't capture the full scope of a used car purchase, but it's a good place to start.

Buying a Car Sight-Unseen

More and more, car dealers are going completely online.

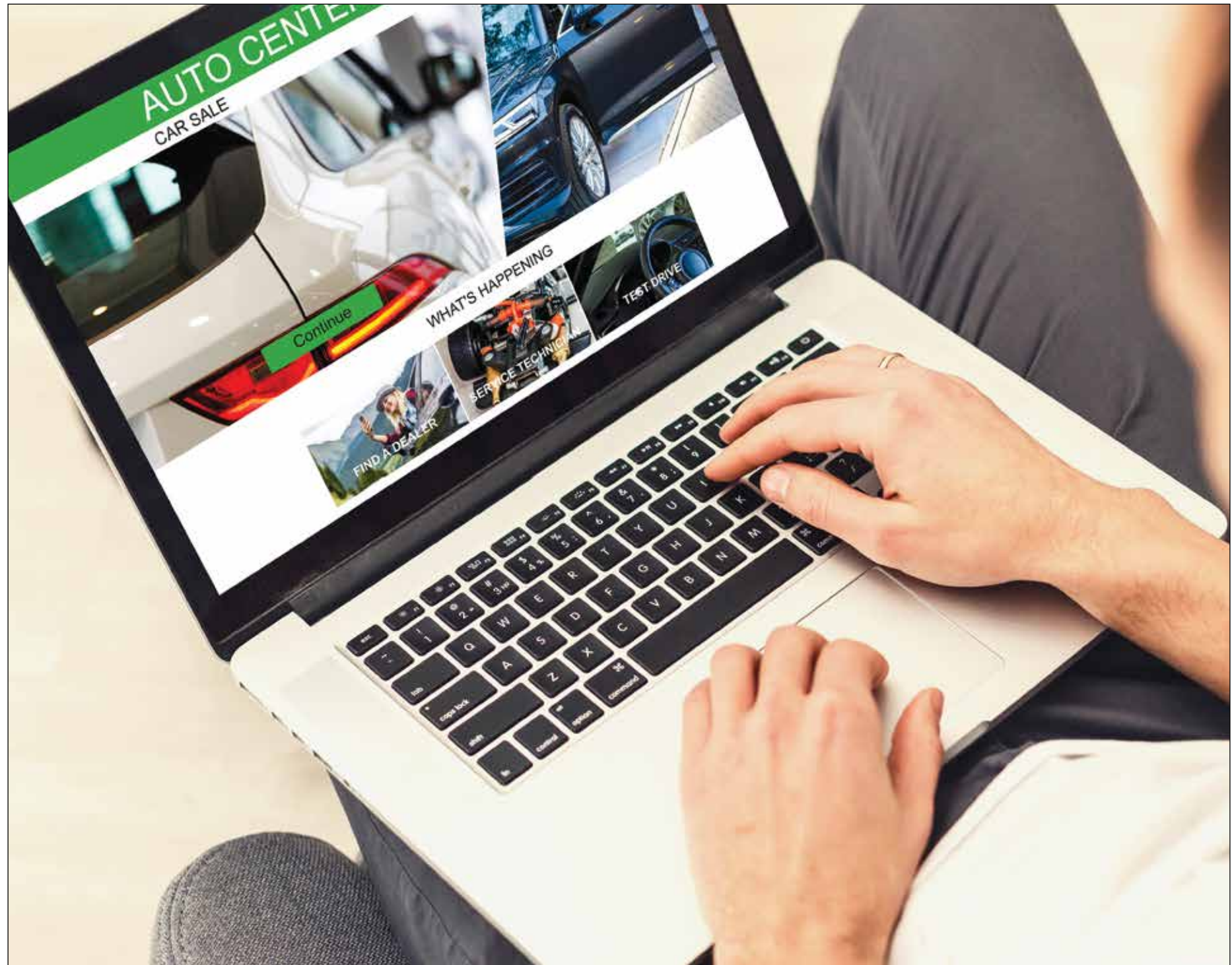
Services like RubyCar, Carvana, TrueCar and others allow purchasers to browse vehicles nationwide, purchase online and then deliver the car directly to your home. Here's how to buy a car sight-unseen, and what to look for in a successful purchase.

FINDING A CAR

Many services offer browsing for cars online, complete with 360-degree views of the specific car you're buying and detailed information about the vehicle. This may include any scratches or other defects, a detailed service history and more.

Before you pull the trigger, research the car's value using sources such as the National Automobile Dealers Association (NADA) Guides, Edmunds, Kelley Blue Book and others. Consider getting preapproved for a loan, either through your bank or through the online service.

Some sites allow for negotiation, but others, such as Carvana, advertise haggle-free pricing. Depending on how comfortable you are negotiating, haggle-free pricing may be an incentive. Before you purchase, investigate the terms and conditions of the deal, including how and when you can return the car if you aren't happy with it.



Online purchasing works best for someone who has decided exactly which car they want. It's much more difficult to compare models; instead, consider doing local test drives and working with a local dealer to find the best car for you.

HAVING THE CAR DELIVERED

Once you agree on a price, you can arrange to have it delivered to your home or, in some cases, to a dealer near you. In some cities, Carvana even has stories-tall car vending machines you can use to

pick up your new ride.

Have the car inspected within the return period allowed by the retailer, and these time limits vary widely between dealers. For instance, CarMax allows 24 hours to test drive before purchase and up to 30 days or

1,500 miles to return it. Carvana offers a seven-day money-back guarantee. If you're unhappy with the car, carefully follow procedures to get most of your money back. Be aware that some fees, such as shipping, may not be refundable.

What Are Lemon Laws?

Lemon laws protect car buyers from getting stuck with cars that don't work properly.

If you purchase a car and something goes wrong, and it can't be repaired after a reasonable number of attempts, you could possibly invoke the state or federal lemon law to be made whole. This may include either replacing or refunding the cost of your vehicle.

FEDERAL LEMON LAW

The federal lemon law is the called the Magnuson Moss Warranty-Federal Trade Commission Improvements Act. It governs warranties on consumer products, including vehicles, and requires manufacturers and sellers to provide detailed information about warranty coverage to buyers. Warranties must clearly state what is covered, who is covered and how to make a claim. Warranties may not contain misleading or deceptive language. It also prevents manufacturers from requiring consumers to use specific parts or services to maintain coverage.

STATE LEMON LAWS

Lemon laws vary from state to state. For instance, in Alaska, lemon law does not cover used vehicles. In Arkansas, the lemon law doesn't cover mopeds or motorcycles,



© ADOBE STOCK

and may or may not cover used vehicles. For California buyers, their state's law covers a vehicle during the duration of the manufacturer's written warranty. Louisiana's law covers personal watercraft and all-terrain vehicles provided they are sold for exclusive personal use.

REASONABLE NUMBER OF ATTEMPTS

Each law has a different definition of a reasonable number of attempts at repairing a vehicle. The Better Business Bureau says there is no one definition of reasonable in the law, but there is a presumption that a reasonable

number of attempts has been made if, within 18 months of delivery or 18,000 miles, whichever comes first, you have taken the vehicle in for repair by the manufacturer or its agents four or more times for the same problem and it's still not fixed or two or more times for the same problem if

it could cause death or serious injury and is still not fixed.

A reasonable number of attempts may also be fulfilled by a vehicle being out of service for repair for more than 30 days and, if required by the warranty or owner's manual, the manufacturer was notified about the problem.

Understanding Safety Ratings

Car safety ratings are issued by the National Highway Transportation Safety Administration, which was established in 1970 by the Highway Safety Act.

Its mission is to reduce deaths, injuries and economic losses resulting from car crashes. NHTSA began testing and rating vehicles for frontal impact protection, using crash test dummies. In 1993, it began using a five-star safety rating system and, in 1996, it began testing and rating vehicles for side crash protection.

Since 2006, NHTSA has required window labels on new cars include five-star safety rating information from the agency, and that information can also be found on SaferCar.gov.



© ADOBE STOCK

WHAT DOES NHTSA TEST?

The administration tests several crash scenarios:

- **Frontal crash.** This is a head-on collision. The agency tests an average-sized adult male in the driver seat, a small adult female in the front passenger seat. All crash test dummies used are wearing a seatbelt. The crash represents two similar vehicles with the same weight. The dummies are evaluated for injuries to the head, neck and leg.
- **Side crash.** The agency tests

the impact of a crash to the side of the vehicle using an average-sized adult male in the driver seat, a small adult female in the rear passenger seat on the driver's side. All dummies are wearing a seat belt. The test is designed to simulate an intersection-type collision, and the dummies are evaluated for injuries to the head, chest, abdomen and pelvis.

- **Side pole crash.** This simulates a car careening into a pole on the driver's side. It uses a small-sized adult female secured with a seat belt in the

driver's seat. The vehicle is angled at 75 degrees and pulled sideways at 20 mph into a 25-centimeter pole near the driver's seat. The dummy is then evaluated for injuries to the head, chest, lower spine, abdomen and pelvis.

- **Rollover test.** This test simulates a vehicle rolling over. It is based on an at-rest lab measurement called the Static Stability Factor (SSF) that determines how top-heavy a vehicle is and how vulnerable a vehicle is to tipping over in a severe maneuver.

NHTSA RATINGS

After a slew of tests, NHTSA assigns each vehicle a star rating, from one to five, with one being the least safe and five being the most safe. As the agency says, "more stars equal safer cars."

- Five stars means the overall injury risk for this vehicle is much less than average.
- Four stars means the overall injury risk for this vehicle is less than average to average.
- Three stars means the overall injury risk for this

vehicle is average to greater than average.

- Two stars means the overall injury risk for the vehicle is greater than average.
- One star means the overall injury risk is much greater than average.

Sometimes, a warning signal of an exclamation point in a triangle appears on a safety rating. That means there is something the government is concerned about with that vehicle. It could be a structural failure or unintended performance.

Shopping for Car Insurance

One significant factor in the cost of car ownership is insurance.

Most states have a minimum insurance coverage you must carry, even on used cars and even if they aren't financed.

If the vehicle is financed, you must carry insurance mandated by the bank, credit union or other agency that holds the loan.

TYPES OF COVERAGE

Liability coverage protects policyholders from incurring costs if you are at fault in an accident that harms people or property. It usually comes in threes, meaning a trio of numbers that represents individual injuries/total injuries/property damage. Liability coverage does not pay for injuries you or your passengers sustain; that comes with full-coverage insurance.

Additional coverages included in full-coverage policies include things such as personal injury protection, uninsured and underinsured motorist coverage, medical payments, collision coverage, GAP coverage and roadside assistance.

Comprehensive coverage is usually part of full-coverage plans. This covers your vehicle against physical damage not related to an accident, such as hail damage, being hit by your neighbor's tree, hitting a deer and more.



© ADOBE STOCK

COMPARISON SHOPPING

Several websites offer comparison shopping for auto insurance, such as The Zebra and Insurify. They can show you premiums from different companies to help you locate the best coverage and rate. You can contact a local agent to have them comparison shop for you. Often, an agent will know what coverages are best in your area and which

companies are easiest to work with where you are.

INFORMATION NEEDED

Once you find a policy, you'll need some information to get started. This may include:

- The date of birth of all drivers on the policy.
- Driver's license numbers for all drivers on the policy.
- Driver's records for all drivers.

• Insurance history for all drivers.

• The Vehicle Identification Number (VIN) of all vehicles to be insured.

• The address where the vehicle is kept.

LOWERING COSTS

Everyone will incur some sort of insurance costs because all cars need to have insurance by state law. But there are some

ways to secure lower rates, including raising your deductible, installing anti-theft devices, having good credit, bundling insurance policies with renter's or homeowner's policies, taking defensive driving courses and driving less. Try asking for discounts for memberships in certain professional organizations, pay-in-full discounts, good driving discounts and more.

Best Cars for Teen Drivers

Getting your driver's license is a rite of passage for many teens. However, it's important to remember these inexperienced drivers can wreak havoc in the wrong car.

The Insurance Institute for Highway Safety says even though teens don't drive very much, the instances of wrecks and crash deaths are high. Car crashes are the third leading cause of teenage deaths. On average, eight 16-19 year-olds are killed in car crashes every day.

That's why it's important to make sure teen drivers are in the safest possible car.

"It's really important that teens choose a car that will provide good crash protection," Joseph Young, The IIHS' director of media relations, told Kelley Blue Book. "For starters, teens shouldn't be driving an older car that lacks basic safety features like electronic stability control or side airbags. Generally, newer vehicles offer better crash protection because they've been subjected to more challenging safety tests. This doesn't mean your teen needs a brand-new vehicle, but teens shouldn't be driving an old beater that lacks basic safety features."

KBB says parents and guardians should look for safety



© ADOBE STOCK

features such as antilock brakes, traction control, stability control, forward collision warning systems and blind-spot monitoring. Also consider automatic high beams, adaptive cruise control, hill-start assist, heads-up displays, at least six airbags, and 360-degree cameras.

What teen shoppers should avoid is often the thing many teens want: Speed and size.

KBB's experts say teens shouldn't be in either the smallest or the largest cars on the road. Sports cars may exceed a teen driver's limited skills and big SUVs or pickups might be too much car for a teen to handle. Furthermore, these vehicles may carry hefty insurance costs that make them a poor choice for teen drivers.

Another feature to look for is a driving monitor that some

carmakers offer to help keep track of and set limits for teen drivers. These include Lexus, Volkswagen, Chevrolet, Toyota, Kia, Ford and Hyundai, KBB says.

Some used cars KBB recommends are:

- 2017 Toyota RAV4.
- 2018 Mazda CX-5.
- 2017 Honda CR-V.
- 2018 Kia Sportage.
- 2018 Mazda3.

- 2013 Toyota Corolla.
- 2010 Honda Element.

KBB says while used car inventories were tight during and immediately after the COVID-19 pandemic, the market is starting to improve for buyers. Furthermore, higher interest rates are stifling buyer interest as well as used inventories, so research a lot, be patient and act quickly, KBB advises.

Avoiding Depreciation

Vehicle depreciation is the decrease in a vehicle's value over time. A new car, the second it leaves the lot, is instantly worth less than it was brand new.

As the miles tick up and the wear and tear increases, so, typically, does depreciation.

On average, Bankrate says, cars lose around 10-15% of their value per year, with higher depreciation stacked at the beginning of the car's usable life. New cars can lose between 6-45% of their value in the first year, Edmunds says.

CAUSES

Vehicles lose value over time, but some things can exacerbate depreciation. These include mileage (on the whole car as well as the components, which may not be made anymore); age; subsequent models of the same vehicle (for instance, if the model was redesigned) can cause a car to lose its value more quickly; and condition of the vehicle, including any accidents or other damage.

USED CARS AND DEPRECIATION

Used cars typically depreciate more slowly, experts say. Even a two-year-old car has already lost as much as 40% of its value. This means a used-car buyer isn't taking the hit on value that a new car buyer may get. This



© ADOBE STOCK

may make a good used car a better value for some buyers.

Consumer Reports says companies such as Toyota and Honda typically have better resale value (therefore, less depreciation) than other brands. Chrysler and Mercedes-Benz, which tend to have higher maintenance costs, see

the most depreciation, Consumer Reports says.

MAINTAINING VALUE

Again, all cars depreciate. But you can stave off some of the worst effects with a few habits. These include maintaining your car properly and on schedule. Bankrate says to get

regular oil changes and carefully follow the manufacturer's recommended service intervals. Keep records of maintenance in a file you can show to the new owner when you sell it.

Drive safely and cautiously, avoiding speeding and harsh braking that strain the car's

mechanical components and speed depreciation. Safe driving can reduce the risk of accidents, which will severely damage your car's value.

Use online tools such as the Kelley Blue Book, Edmunds or the NADA's used car values to see how much your car has depreciated.