

# 7 Ways to Save Money When Buying a Car

1. **Know your credit score:** The higher your credit score, the lower the interest rate. Credit scores run between 500 and 850. Paying your bills and paying them on time are two ways to ensure that your credit score stays higher.
2. **You don't have to use dealer financing.** Call your bank first to get pre-approved for a loan. Having your own financing lined up gives you a little bit a room to negotiate with the dealer as well. They might be willing to beat your bank's interest rate just for the sake of getting the loan. In that case, go with the dealer's lender and you both win.
3. **Your bank can tell you** interest rates, the number of years you will be paying and what your new payments should be. (There's also a Car Payment Calculator link on [www.janetmnast.com](http://www.janetmnast.com) if you'd like to just get a ball park idea before you call the bank.)

These first three pieces of information will be helpful to you as you begin negotiating pricing and interest rates with any dealer. Sometimes they can beat your banks rates, sometimes they cannot. It's always a good thing to have this Plan B so you get the best loan possible for your budget.

4. **Cost of insurance for the new car.** Call your insurance company with the year, make & model of the car you want to buy. They can then tell you what your monthly insurance payments will be.

When you add that to your new car payments, you can decide if you can really afford that new car or if you should consider another one.

5. **Figure out what it's going to cost you in gas each week.**

Here's how to do the math:

- How big is the gas tank on the new car? (20 gallons for instance.)
- Multiply that by the cost of gas per gallon. ( $20 \times \$2.50 = \$50$  cost per tank of gas.)
- Then how many miles per gallon does this new car get? (25 miles per gallon x 20 gallons = 500 miles on a tank of gas.)



- 500 miles per tank divided by your 70 mile commute per day = 7.14 days of driving on one tank of gas that cost you \$50.
- If you want just 5 days cost, divide that \$50 by 7.14 days to find the cost per day which is right around \$7 per day.
- Now multiply that \$7 per day by 5 days for a typical work week, which is \$35. Or multiply it by 30 days for the month, giving you your monthly cost of gas.

After you add the new car payments to the insurance cost, you can now add the cost of gas per month and decide if you can really afford this car.

6. **It is not required that you purchase an extended warranty.** Almost all new cars these days have such incredible warranties that paying an extra \$500 or \$1000 for one is really just a waste of money. Know that the markup on those policies is about 300% - so it's almost pure profit for the dealer – and the cost will be rolled into your car loan so that you will pay interest on it, as well as the car, until the car is paid for.

Now, if you are buying a used car, I would say you might want to consider it. Just be very clear on what that warranty covers. Basic car maintenance is never covered.

7. **It is OK to walk away if you don't feel comfortable with the dealer, the transaction or the car itself.**

So what if you've been talking for two hours; your time is just as valuable as theirs and ultimately, it's your wallet, not theirs. You owe them nothing – selling is their job – so don't feel bad.

Now that you are armed with all the costs related to buying a car, you can make a better decision when you walk into a dealership. You might as well write it all down too so you don't forget it all when you get caught up in the excitement of test driving the car. That in itself will make the whole buying process that much more fun and stress free.

Have fun!

Sincerely,

Janet M. Nast

***p.s.***

*More details about credit scores, interest rates, loans, vehicle maintenance, and warranties are covered in the book, "Shifting to The Business of Life." See Amazon.com*

