

DETERMINING THE TYPE OF VEHICLE NEEDED

| Examples of Needs | Examples of Wants |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> ▪ Good gas mileage ▪ 4-door ▪ Plenty of leg room ▪ Large trunk space ▪ Air conditioning ▪ Anti-lock brakes ▪ Automatic ▪ Front-wheel, rear-wheel or all-wheel drive | <ul style="list-style-type: none"> ▪ Red car with black interior ▪ 6-disc CD changer with premium sound ▪ Sun or moon roof ▪ Spoiler ▪ Fancy rims ▪ Cruise control ▪ Leather seats ▪ Power windows and locks |

NEW VS. USED CAR

| New Car | | Used Car | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Advantages | Disadvantages | Advantages | Disadvantages |
| <ul style="list-style-type: none"> ▪ Full factory warranty ▪ First owner ▪ Lower finance rate ▪ Ownership and equity in the vehicle ▪ No mileage limits | <ul style="list-style-type: none"> ▪ Higher monthly payments ▪ The owner takes the hit for depreciation ▪ Depreciation (lessen in value) ▪ Higher insurance rates ▪ Usually requires a down payment | <ul style="list-style-type: none"> ▪ Lower price ▪ Someone else has taken the hit for depreciation ▪ Cheaper insurance ▪ Pay less for the previous year's car with same or similar features | <ul style="list-style-type: none"> ▪ May have little or no miles left on factory warranty ▪ May spend extra money on an extended warranty ▪ Parts are older ▪ Concern about previous owners' maintenance habits ▪ Higher finance rate |

LEASING A CAR

| Leasing Advantages | Leasing Disadvantages |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Lower monthly payments • Can trade in after two to three years • Have a new vehicle for lower cost • Warranty covers the entire car for duration of the lease • A large down payment is not required | <ul style="list-style-type: none"> • Will be charged for any miles over the contract agreement which is usually 12,000-15,000 per year • At the end of the contract there is nothing to show for it. • Might have to purchase GAP insurance in addition to full coverage • Required to have the highest coverage for auto insurance • Once the lease ends, will have to make a major decision to get another lease or purchase a new car • You are responsible for wear and tear on the vehicle |

INTEREST RATES

| Term of loan/ Number of years | Interest rate | Loan amount | Monthly payment | Interest paid | Total amount paid to bank |
|-------------------------------------|------------------|----------------|--------------------|------------------|------------------------------|
| 36 months/ 3 years | 7.0 % | \$17,529.00 | \$542.00 | \$1,942.00 | \$19,471.00 |
| 48 months/ 4 years | 7.5 % | \$17,529.00 | \$425.00 | \$2,797.00 | \$20,326.00 |
| 60 months/ 5 years | 8.0 % | \$17,529.00 | \$356.00 | \$3,779.00 | \$21,308.00 |

| Term of loan/ Number of years | Interest rate | Loan amount | Monthly payment | Interest paid | Total amount paid to bank |
|-------------------------------------|------------------|----------------|--------------------|------------------|------------------------------|
| 36 months/ 3 years | 13 % | \$17,529.00 | \$592.00 | \$3,725.00 | \$21,254.00 |
| 48 months/ 4 years | 14 % | \$17,529.00 | \$480.00 | \$5,457.00 | \$22,986.00 |
| 60 months/ 5 years | 15 % | \$17,529.00 | \$418.00 | \$7,487.00 | \$25,016.00 |

NEGOTIATING THE BEST DEAL ON A VEHICLE

| MSRP (sticker price) | Invoice price (dealer price) | Percent amount | Profit amount (for dealer) | Target negotiation price | Amount saved |
|----------------------------|---------------------------------|-------------------|-------------------------------|--------------------------------|-----------------|
| \$17, 579.00 | \$15,751.00 | X 3% | \$472.53 = | \$16, 223.53 | \$1,355.47 |
| \$17, 579.00 | \$15,751.00 | X 4% | \$630.04 = | \$16, 381.04 | \$1,197.96 |
| \$17, 579.00 | \$15,751.00 | X 5% | \$787.55 = | \$16, 538.55 | \$1,040.45 |

| Examples | Invoice price (dealer price) | MSRP (sticker price) | Profit amount (for dealer) | Buyer saved |
|---------------|---------------------------------|----------------------------|----------------------------------|-------------|
| 1.) 3% profit | \$15,751.00 | \$17, 579.00 | \$472.53 = | \$1,355.47 |
| 2.) 4% profit | \$15,751.00 | \$17, 579.00 | \$630.04 = | \$1,197.96 |
| 3.) 5% profit | \$15,751.00 | \$17, 579.00 | \$787.55 = | \$1,040.45 |

DOWN PAYMENT

| Loan term (number of years) | Interest rates | Negotiation price | Down payment amount | Amount financed | Finance charge | Monthly payment | Total of payments |
|-----------------------------------|-------------------|----------------------|---------------------------|--------------------|-------------------|--------------------|----------------------|
| 36 months/ 3 years | 7.0 % | \$16,381.04 | \$2,000.00 | \$14,381.04 | \$1,604.61 | \$444.04 | \$15,985.65 |
| 48 months/ 4 years | 7.5 % | \$16,381.04 | \$2,000.00 | \$14,381.04 | \$2,309.36 | \$347.72 | \$16,690.40 |
| 60 months/ 5 years | 8.0 % | \$16,381.04 | \$2,000.00 | \$14,381.04 | \$3,109.27 | \$292.00 | \$17,490.31 |