

Buying Your First Car: A Guide for

We know that getting a driver's license can be stressful—that's why we do everything we can to guide our drivers ed students through the process in a clear and straightforward way. But for many, buying a first car can be even worse. It's enough to make some teens wait to become a licensed driver.

Don't let the complexities of buying a car discourage you from getting your license! After reviewing this handy guide, you may discover that owning a car is within your reach after all!

Step 1: Set Your Car Buying Budget

The cost of a new car can be intimidating, especially when you're a teenager (or a teenager's parent) and there's only so much you can spend. With even the **cheapest new cars** priced over \$15,000 the idea of purchasing one can feel impossible. But today's financing options and the availability of high-quality used cars mean that owning a vehicle is within reach. If you can spare \$150 to \$200 a month, you may be able to afford a car that meets your needs.

Start by figuring out a price range you can afford. By deciding on a realistic budget, your goal will seem much more attainable. Consider how much you have in savings, how much you earn or can pay a month and ways you can cut expenses to put the money towards a vehicle.

When preparing to buy a car, keep the following things in mind:

- If you can afford to pay the full cost upfront, you'll save a significant amount on interest and may even be able to negotiate a discount.
- Your credit union can look at a pre-approval for you before you start shopping. As most teens lack credit histories, a co-signer might be needed for their first loan.
- Even with financing, the biggest cost will be upfront. Costs such as titling, and registering must be paid when you purchase a vehicle. And the more you can put down, the lower your monthly payments will be. Don't think you'll have enough? Start saving early and see if a family member can help you cover the initial costs.
- While financing deals vary, use this simple rule of thumb to estimate how much your monthly payment will be: with a 48-month loan, you'll need to

pay about \$25/month for every \$1,000 you borrow. Try to avoid any repayment period longer than 60 months.

- Don't sign any financial agreement before reading it thoroughly. If you have a hard time understanding anything, ask for clarification.
- Don't forget about the added expenses that come with owning a car, such as gas, maintenance, and insurance.

Consider visiting several financial institutions, as well as the car dealership, to find the cheapest option available to you. The interest rate on a car loan is based on a number known as APR (Annual Percentage Rate). While some lenders offer loans with an APR of 3% or less, rates this low are usually reserved for people with excellent credit histories; expect yours to be up to twice as much.

Step 2: Do Your Homework

Once you know how much you can spend it's time to weigh your options. By spending some time researching before you buy, you'll have a much better chance of finding a car that you can afford and meets your needs.

The first thing to consider is how you're going to use a vehicle. Ask yourself:

- Will you need to drive for school, work or sport activities?
- How much traveling will you do on average?
- Are other family members planning to drive your car or get rides from you?
- What features do you need your car to have?
- Are there any technologies you have to have or know you don't want?
- Do you plan to transport a lot of luggage or passengers on a regular basis?

Answering these questions will help you identify a particular body style (sedan, minivan, SUV), size and performance that makes sense for your situation.

As you consider these questions, keep in mind that your goal should be to minimize expenses. Give serious consideration to the question of whether you really need a car of your own, especially if you're unsatisfied by the options available at your budget. It may be better to wait and save for something better.

Where to Find Car Listings

While you can find car listings in the newspaper and other free local guides, most of the same listings can be found online with more detailed information. Plus, it's easier to save and share online listings for later reference.

Many online car searches typically provide each seller's price, so as you review your options, be sure to determine what a fair price to pay is for each model. Some of the most important factors you should be looking at include:

- Safety
- Reliability
- Fuel economy
- Technology features
- Resale value

Some of the top car listing sites include:

- **Car Commander:** Allows you to search local dealerships without having to provide your information. Thrive's website allows you to hide all of your personal information so you will not receive sales calls.
- **Consumer Reports:** Get safety and reliability information from the national leader in product analysis and information.
- **Kelley Blue Book:** This trusted resource highlights reviews and price range recommendations for every class of car. There are also tools to help you research your options.
- **Insurance Institute of Highway Safety:** Find out how the cars you're considering performed during rigorous crash tests.
- **fueleconomy.gov:** Research fuel efficiency ratings for the cars on your list with this official government site.

Step 3: Decide on a New or Used Car

One big decision you'll have to make is whether you want to purchase a new car or a used car. Your budget and research should tell you whether a new vehicle is an option. If so, it's time to compare new versus used.

New Car Pros

- Low initial maintenance costs
- Superior fuel economy
- More advanced safety features
- Most repairs are covered by the manufacturer's warranty for at least a year
- In many states, inspection requirements do not initially apply
- Easier to customize with the features you want
- Latest technology features

Used Car Pros

- Typically costs significantly less than comparable new cars
- Insurance rates are usually lower
- Greater variety of choices that aren't limited to the current model year
- Can offer better value than a new car
- Depending on the models, a used vehicle can have just as many safety features
- Can get high-end finishes for a better price

Most first-time car buyers are on a budget, which is one reason why these drivers typically opt for a used car. Another factor to consider is that, with a used car, you can get upgrades that might not be affordable on a new model.

Take Precautions When Buying a Used Vehicle

The fact of the matter is that when you buy a used car you're more vulnerable to unexpected problems. With a new car sold by the manufacturer, you can be reasonably confident that it hasn't been in an accident or tampered with. A used car could have been used in any number of ways, and just because it doesn't look damaged doesn't mean there's not a problem you can't see.

Used car sellers often have an incentive to minimize signs of wear and damage. Some unscrupulous dealers have been even known to roll back the odometer. Remember,

used cars don't necessarily come with a warranty, so if something goes wrong, you're on your own!

Here are a few ways you can protect yourself during the purchase process:

- Avoid dealers that specialize in cheap used cars and crazy deals. Other used car sellers, including individual sellers, are usually more reliable. It's a good idea to check used car dealers with the Better Business Bureau or a local consumer protection agency before you buy.
- If the car is much cheaper than comparable vehicles, that may be a sign that something's wrong with it. Consult the Kelley Blue Book to figure out what's a reasonable price for the car.
- Ask an independent mechanic to check the car out before you buy it, especially if you're purchasing from an individual. If the seller has nothing to hide, he or she shouldn't have a problem with this. Having a professional look the car over can help you discover what, if anything, was missed on the vehicle history report.
- While it may be tempting to buy an older used car, either because it's cheaper or you like the style, be aware that because older cars often lack electronic stability control (ESC) and airbags, teens driving them are significantly more likely to be in a fatal crash. Moreover, the older a car is, the more its features and components become a liability, as they can be difficult and costly to replace. Be sure to review the latest report from the IIHS on the safest used cars for teens.

Get the VIN

Before purchasing a used car, be sure to find out its Vehicle Identification Number (VIN). There are several sites online that allow you to check a vehicle's history using the VIN, so you can determine whether it's been stolen or involved in a significant collision. You can also use the VIN to find out if a recall has been issued for the car.

Protect Yourself When Buying From a Private Seller

Finally, protect yourself when you go to check out a used car being sold by a private seller. While most advertisers just want to sell their car, some people set up phony used car listings to lure in victims to rob them.

Never go to a meeting by yourself. Insist on meeting in a neutral public place during daylight hours. And never bring a large wad of cash with you when you go. For transactions like this, a check or money order is safest.

For loads more advice on buying a used car, check out the Federal Trade Commission website.

Step 4: Take a Few Test Drives

While research can help you figure out what's out there and narrow down your choices, it can't tell you how it will actually feel to drive the car. A car that looks good on paper won't necessarily handle as expected. As a new driver, it's especially important to test drive several models so you can learn how performance can vary from vehicle to vehicle.

Test Driving a Car at a Dealership

A test drive is important whether you're buying a new car or a used one from a dealer or private seller. If you're buying from a dealer, you can probably just show up at a time that's convenient for you. Most people shop for cars on the weekend, so the salesperson may not be able to give you as much time then. It's a good idea to plan on test-driving a car for at least half an hour so you have a chance to find out how it handles on different road types and in different environments.

Test Driving a Car From a Private Seller

If you're buying from a private seller, be sure to call ahead to schedule an appointment. When you're talking to the seller, try to find out as much as you can. Ask about:

- How many miles the vehicle's traveled
- How long it's been since it's had maintenance performed
- Whether it's ever been in a crash
- If anything is currently broken

Don't feel shy about bringing up items you're concerned or curious about. After all, if it turns out the car isn't what you're looking for, it's better to know ahead of time so you can avoid wasting the seller's time.

When you go to test drive a car, we recommend that you bring a parent or other knowledgeable adult along with you (this is especially important if you're meeting with a private seller). Having an adult with you that's bought a car before can ensure you're taken seriously and treated with respect. Moreover, the adult may be able to point out potential issues you may not have noticed.

The Pre-Drive Inspection

When you finally have the car in front of you, perform a pre-purchase inspection before taking it for a spin. Look all around the car for any signs of damage or vehicle problems.

Remember these tips for inspecting a car you're thinking of buying:

- Always check out a car during the day. At night, it will be hard to assess the car's condition or notice repainted spots that may indicate damage that's been concealed.
- Be ready to review everything. Don't be afraid to get on your hands and knees to check for leaks under the car or to ask to peek under the hood so you can check the condition of the engine, the fluid levels, etc.
- Use all your senses. Sometimes the only way you'll be able to notice a problem is by smelling it or hearing it during your test drive.
- Before you get on the road, adjust the seat, the mirrors and the vehicle controls so you can give your full attention to how well they work. Have the seller talk you through the car's electronic features and dashboard indicators, then try them out for yourself.

Even if you've researched the car already, be sure to also review the window stickers if you're buying from a dealer. These stickers will give you accurate information about the performance and features of the car you're looking at. In particular, all new cars are required to have a detailed **Monroney sticker** attached to the side window with official ratings and benchmarks, specifics about where the car was manufactured and the suggested retail price.

What to Do Before, During and After Taking a Test Drive

Finally, it's time to take the car out on the road! If possible, use an Internet mapping service to plan a route ahead of time that includes city and freeway driving, curved and inclined roads and roadways with different kinds of traction. That way, you'll have a chance to see how the car handles in different environments. Let the salesperson know about your plans so he or she can help you have the best experience possible.

During the test drive, be alert for any performance issues that might signify a serious problem. Only by testing the car's performance can you find out if it will handle well when you really need it to. You may be tempted to proceed with an abundance of caution out of fear of damaging the car, but you won't learn as much with this approach. This is your chance to find out how quickly the vehicle accelerates and how it responds when you have to brake hard, so don't be shy about putting the car through its paces.

With that in mind, don't do anything illegal or make sudden maneuvers. When you're test driving a car remember to:

- Pay attention to how the dashboard is laid out and whether or not you find the vehicle controls awkward or confusing to use.
- Make sure you're able to see the road and check your mirrors and blind spots easily.
- Test the wheel alignment by driving at 20 to 30 mph beside a pavement line or sidewalk.
- Roll down the window so you can hear if the car is making any unusual noises.
- Get a rough sense of the car's fuel efficiency by noting what the odometer and fuel gauge say at the beginning and end of the trip.
- Identify whether the car responds to steering unexpectedly or seems improperly balanced when you drive.
- Test any advanced systems, including rearview cameras, blind-spot monitors and voice command systems, as well as essential safety technologies such as ABS or ESC while you're on the road.

When you're taking a test drive, it's a good idea to treat the salesperson as a resource. After all, he or she probably knows about the features of the car as well as anyone and would be happy to demonstrate them for you. Consider asking the salesperson to take the wheel for part of the drive so you can have time to look over the car and discuss it without it distracting you from the road.

Step 5: The Art of Negotiation

Don't get stuck paying the sticker price! Unlike most things you'll buy, the price is negotiable. Used car prices are typically more flexible, as they will not be linked to the manufacturer's production costs. When negotiating the price, it's especially important to have a parent or other adult around, even if you take the lead in the bargaining.

The Dos and Don't of Car Negotiations

When discussing the price of a car with the seller, whether the car is new or used, remember these dos and don'ts:

- Do come prepared with knowledge of how much comparable cars are selling for. Letting the dealer know you know there are other options out there will decrease his or her ability to frame the discussion of price.
- Don't mistake the salesperson for someone with your best interests at heart, no matter how convincing he or she is. Don't let yourself be talked into any features you don't need or want.
- Do be prepared to bring up any concerns you have or problems you noticed during the test drive. Especially if you're buying used, you may get the seller to discount the price by the cost of getting the issue fixed.
- Don't let your enthusiasm show or tell the dealer the maximum price you can afford. By starting low, you can make concessions to the dealer and still end up paying a reasonable price or getting extra features thrown in.
- Do be prepared to walk away if you don't think you're getting the best deal.

If you're buying a car from a dealer, they will most likely try to get you to agree to add-ons like an extended warranty or paint protection. In general, unless it involves actual mechanical improvements to the car, add-ons like these are designed to boost the company's profits. When negotiating, try to avoid paying extra for such features; if you do want them, you may be able to convince the dealer to throw them in for free during the negotiation process.

Filling Out the Paperwork

Once you've agreed on a price and any options to be added to your car, it will be time to fill out the paperwork. At this point, you may be exhausted and tempted to simply sign on the dotted line. Don't do it!

Make sure you review the entire contract with the dealer and the adult you're with, asking questions about anything you don't understand or contradicts something you talked about earlier. Before you leave the lot, you'll also want to confirm whether the dealer will take care of the initial title transfer and vehicle registration for you.

Transferring Ownership When Buying a Used Vehicle

While there will be fewer terms and conditions to review, buying a used car from a private seller can be more complicated because the process of transferring car ownership varies from state to state. Your best bet is to research rules for selling a used car in your state ahead of time so you can make sure that everything gets done properly.

Make sure the seller also hands over any papers associated with the car, including the owner's manual, emissions test documents and inspection stickers.

Once you've agreed to buy the car, it's yours. You can't take a car back because you find a better one a few days later. And most used cars are typically sold as-is, so if a problem arises, it will be too late to do anything about it once the sale is final. That's why it's so important to do your research to find the best type of vehicle for the best value.

Information provided by driversed.com