

# Anytime Adviser—New Car Buying Coach

Welcome.

This interactive guide offers you strategies for getting the best deal on a new car.

Let's begin.

---

Interested in a little guidance to negotiate your best deal on a new car?

Spend 10 minutes here.

---

## ***Introduction***

It's late October. The sticker price of the current model year car you want is \$20,500. You have learned that the invoice price to the dealer on this car is \$18,500. What's the lowest price the dealer can sell you this car and still make a profit?

\$18,501? No. Although most dealers wouldn't typically go this low, they'd still make quite a profit at this price. Manufacturers typically pay back two to three percent of the invoice price to dealers at the end of the quarter—as much as \$555 extra profit on this car.

\$17,950? Maybe. This price is just more than the invoice price, minus a three percent manufacturer hold back—this would seem to be as low as the dealer can go, and much of the time it is. However, if the new model year is arriving, or if this model just isn't selling, the manufacturer may be offering additional incentives to dealers.

\$17,000? While really just a guess, yes. This seems to be about as low as a dealer could go—accounting for a three percent manufacturer hold back and additional model year-end incentives from the manufacturer. This good a deal, though, would be reserved for a car that's been around a while, perhaps one loaded with options.

\$15,000? That's wishful thinking! This is probably more than any dealer can do, even considering a three percent manufacturer hold back and additional model year-end incentives from the manufacturer.

## ***Objectives***

This quick guide offers you a new-car-buying approach that can save you hundreds, perhaps even thousands of dollars.

- Learn where to find the dealer's cost on a specific model;
- Develop a strategy for staying in control at dealerships;
- Practice negotiating the price with a salesperson; and
- Learn why buying a new car should begin at the credit union.

## ***Start at Your Credit Union***

Where is the best place to shop for a new car?

- At the dealership?
- On the Internet?

Actually, you'll do better by starting at your credit union. Remember, dealers and Web sites are out to make money **from** you. Your credit union is a not-for-profit cooperative, working **for** you.

Here you'll find resources and staff whose interest is finding the best vehicle for you. If you need financing, you'll probably find the best loan here, too. Because credit unions return every dollar after expenses to members in the form of better services and lower loan rates, you'll find their car loan rates typically run an entire percentage point lower than other financial institutions.

Two important questions you'll be able to answer at the credit union are:

- What can you afford?
- What will a loan cost you?

Generally, all your monthly payments (rent or mortgage, auto, credit cards, student loans, and so on) should equal less than 40% of your take-home pay. It's worth a call to the credit union to find out what you can afford and to get preapproval on a loan.

If you own a home, a credit union home equity loan might look even better for financing your vehicle purchase. The reason, of course, is that home equity loan interest payments may be 100% tax deductible (consult your tax adviser to see if you're eligible).

To calculate the after-tax loan rate, multiply the home equity loan interest rate by one minus your marginal tax rate. For example, if your combined federal/state marginal tax rate is 33%, and the credit union's home equity loan rate is nine percent, your after-tax loan rate would be just over six percent:

$$\text{Home Equity Loan Interest Rate} \times (1 - \text{Marginal Tax Rate}) \\ = \text{After-Tax Loan Rate}$$

$$\text{Example: } 0.09 \times (1 - 0.33) = 0.0603 \text{ or } 6.03\%$$

Once you know what you can afford, take a look at the models that match your needs.

### ***Research Dealer Costs***

Now that you know what you can afford and have preapproval on a credit union loan, it's time to shop...but not at the dealership. Head to your public library or get online.

When you have a couple of models in mind, stop at a dealership on a Sunday or after hours to window shop without pressure.

You know the **sticker** price of the car—it's pasted to the window. Your research at the library or online will help you find the **invoice** price, which is what the dealer pays to the manufacturer. Print a copy of the invoice price, for later reference at the dealership.

If you're planning to sell or trade your current vehicle, you'll want to research its current value, as well.

When your research is done, it's time to visit the dealerships.

### ***Visit Three Dealers***

While you can buy a car over the Internet, you'll probably get a better deal negotiating in person. Commit to visiting at least two dealerships; three would be better.

Call ahead to check on inventory. If you travel to the farthest one first, you'll be able to stick to your promise of shopping for the best deal. Eat well first—it's hard to negotiate when your stomach is growling.

A few tips can make your visits to the dealer run smoother:

**Choose the time.** Think mid-December. Everyone's shopping, but *not* for cars. You can land a great deal during the last two weeks of the year. The next best time to buy a car is the end of any month. Dealers are looking to squeeze in a few more deals at bargain prices to make end-of-the-month quotas.

**Control the visit.** State your intention to buy a certain car in the next week. Let your salesperson know that you are visiting three dealerships today, and ask for the best price. Have your printout or copy of the invoice in a folder. Start with the invoice price and subtract any dealer or manufacturer rebates. This still leaves the dealer two percent to three percent profit through the manufacturer hold-back. Subtract even more if inventory is high for that model or if it's the end of the model year, calendar year, or month.

**Avoid naming a price.** While the sales rep wants you to commit, avoid this if you can. An offer of \$100 below invoice may sound like a safe place to start, but on a less popular model in November, even that might be too much.

**Keep the trade-in separate.** Settle on pricing for the new car first, and negotiate the trade-in separately. This will help you keep track of the true prices of each transaction. If you choose to trade in your current vehicle, first research its value. Even better, also get a price from a used-car dealer. Negotiate the two deals separately. If you don't like the offer on your trade-in, sell it yourself or to the used-car dealer.

## ***Negotiate!***

Test your skills with our friendly car salesman, John.

In this negotiation simulation, select one reply to each of John's questions. Click "Continue" to move to the next page. The gauge below will track your correct answers.

---

### **"Hi, I'm John. How are you today?"**

- a) "I'm in a hurry, so can we cut to the chase?" (Although this might be how you feel, show a little warmth. Your goal is to get John to want to make you a good deal.)
- b) "Good to meet you, John." (Yes! You can negotiate just as well by being pleasant as you can by being harsh.)
- c) "Great, I'm so excited about buying a car today." (Slow down—you're getting prices today and will buy later in the week.)

### **"Wonderful. So, how can I help you today?"**

- a) "Well, John, I've decided I want to buy a car in the next week. I spoke with your business manager on the phone yesterday, and it sounds like you have

a couple of cars with the options I want." (Yes! You've made it clear that you're a serious shopper and you know what you want.)

- b) "Well, John, I think I want to buy a silver car, but I'm not sure which model I can afford." (Oops. Start at the credit union, so you'll know what you can afford. This is too serious a decision to put in the hands of a sales representative.)
  - c) "I'm interested in a car. Can you make me a really good deal on one?" (Caution: You might get a good deal this way on a car loaded with options you don't really want. Research the pricing of options before you visit the dealer.)
- 

**"Let's have a look on the lot...say, did you want to trade in your Toyota?"**

- a) "I suppose so. What could I get for it?" (Keep these transactions separate, or you'll end up with an offer of "your car plus \$\$" and not know what price you're really getting on either vehicle.)
  - b) "Perhaps, but let's work on just the new car first. Then we can compare your appraisal on my car to the offer I have from a used-car dealer." (Yes! John now knows he has competition, but he also sees his time may yield two commissions—one for the new car sale, another for the trade-in.)
  - c) "Look, right now I just want a price on the new car, nothing more." (Is this the truth? If you are considering trading in, be honest. With a trade-in, you might increase your sales rep's motivation, since his dealership now has two opportunities to make a profit.)
- 

After test driving the car ...

**"Isn't that a great car? I can't get over how they've improved the ride in this year's model."**

- a) "Sure, but it's not as nice as my brother's car." (If you decide you don't really like the car, leave and research alternative models.)
  - b) "I guess it's okay for the money." (Frowning is unnecessary. You can talk up the car as long as you don't talk yourself into an on-the-spot decision.)
  - c) "Yes, I agree that the ride has really improved." (Yes! You've conveyed that you're ready to negotiate on this model.)
-

**“So, should we write this one up?”**

- a) “Sure, John, if you can take \$4,000 plus my car in trade.” (Handle buying a new car, trading your current car, and financing as three separate transactions. Settle on the price of the new car first. Then consider the options for your current car—trade in, sell yourself, or sell to a used-car dealer.)
  - b) “Maybe, John, let’s see what your best offer is.” (Slow down. Remember, you’re collecting pricing today and will buy later in the week.)
  - c) “John, I want to buy a car in the next week. Today, I’m visiting three dealerships for prices.” (Yes! You’ve given John the motivation to come straight out with an attractive offer.)
- 

**“We really want to do business with you. If we can reach a price today, do we have a deal?”**

- a) “John, you’re making some good points. Sure, I’ll sign today for the right price—it would save me the rest of the day driving to other dealerships.” (True, settling now will save you time, but you’ll never know if you got the best price.)
  - b) “John, I like your dealership, but I’m not buying a car today. Why don’t you give me your best price on this car—a price that will be good through next weekend?” (Yes! John will get the message and ease off.)
  - c) “Well, why don’t you appraise my trade in, and let’s look at the difference.” (Handle buying a new car, trading your current car, and financing as three separate transactions. Settle on the price of the new car first.)
- 

If you’ve handled yourself effectively, at this point, most sales representatives realize that you’re a serious shopper and will work with you. If you encounter one who won’t, leave politely.

---

**“I can take \$1,200 off the price on this car, but since it’s the only one in silver, I seriously doubt it will still be here in a week. How does that sound to you?”**

- a) “I really love the silver. Sold!” (Wait. You’re collecting pricing today and will buy later in the week. If you must have a certain color, expect to pay a little more.)

- b) "John, that just sounds like a line to me—I bet you have another silver one coming in as soon as this one sells." (Avoid insulting your sales representative. You're trying to win John over enough to reduce his commission on this sale.)
  - c) "Hmmm. That's about \$700 over invoice. I see that you have three more in white. Can you give me a better deal on one of them?" (Yes! Flexibility can save you money on a more plentiful style or color. And try to bargain from the invoice.)
- 

**"Let me check with my sales manager."**

- a) "Great, John, take your time." (You just put John in control. Expect to wait.)
  - b) "Thank you, but I should let you know that I have to leave in 15 minutes for another appointment." (Yes! You're in control. You've put a time limit on getting to a final price.)
  - c) "You know, John, I'm in a hurry. Here's my e-mail address—why don't you just send me a message." (Suddenly, you don't sound like a serious customer, and John might decide you're not worth his time. Don't expect to hear from him.)
- 

When John returns ...

**"If you take possession by the 30<sup>th</sup>, my manager can go \$1,700 off on a white car with the same options as the one you drove. This is a really good deal. To save time, I've written it up—all you have to do is sign here."**

- a) "Sold. I never thought you'd come down that much." (Stop. You've asked for a price good through next weekend, and there are three in stock. Visit at least one more dealer to compare pricing before you sign.)
- b) "John, that's a good offer, and if this is the best price I find, I'll be back. But right now, I have an appointment with another dealer. Why don't you give me a call tomorrow?" (Yes! You stuck to your plan while treating John with respect. If it's the best deal, you can tell him so **tomorrow**, after visiting two more dealers today.)
- c) "Sorry, John, but I think I'd really rather have the silver or the blue. Can I get the same deal on the blue?" (You're slipping. Did you eat before the appointment? Did you research the options and colors first? John is sizing you up as a candidate for extra pin striping, undercoating, and fabric protection.)

## ***Seal the Deal***

Now it's time to compare the offers you receive from the three dealers. Make your choice, and thank the other two for their time.

Before you sign, test drive the vehicle and check that it has all the agreed upon features.

Next, the dealership will attempt to profit further by selling you:

- Interior and exterior protection packages
- Extended warranty
- Financing

Listen, and then say "No thank you." You probably can treat the interior (fabric protection spray) yourself for about \$20. And most experts feel extended warranties aren't worth what dealers charge. Finally, a rebate and a credit union loan beat most dealers' financing.

## ***Review—Dealership “Dos and Don’ts”***

### **DO**

- Research the invoice cost of the car.
- Visit three dealers for pricing.
- Call ahead to check inventory.
- Eat before visiting the dealership.
- See your credit union for financing.

### **DON'T**

- Buy on your first visit.
- Name the price you're willing to pay.
- Insist on a specific color.
- Take the dealer extended warranty.
- Expect to get a better deal buying online.

Congratulations! Enjoy your new car!

Was this guide helpful? E-mail [AAdviser@cuna.com](mailto:AAdviser@cuna.com) to let us know.