

Things to Know Before You Buy a Car



Shopping for a car can feel overwhelming, like you are a passenger with little control over the final destination.

It doesn't have to be this way.

The right information takes the stress out of buying a vehicle. Hop into the driver's seat of the car-buying process by walking through these seven questions:

1. Can I actually afford a car?
2. How much should my car payment be?
3. Is now a good time to buy a car?
4. What's the right car for me?
5. How do I get the best price on a new or used car?
6. Should I get pre-approved for a car?
7. What should I look for in a car loan?

Can I actually afford a car?

Deciding whether a new car is a need or a want can be less obvious than it sounds. If you decide it is a want, think about postponing the purchase. Instead, consider putting that money into an interest earning savings account; or a credit builder with a payment close to the amount you are considering. This helps you save a healthy down-payment for when you need a car.

Before taking the leap, consider your budget:

- How would adding a car payment and car insurance impact your budget?
- Do you have savings for a down payment?
- How is your credit score (low credit score means higher interest rates)?
- Will you need to pay for monthly parking?

How much should my car payment be?

Your car payment, including principle, interest, and insurance, should total **no more than 10% to 15% of your monthly income**. Sound like too much math? No worries. To figure out the right payment, check out [our online payment calculator](#).

Pro Tip: Once you've determined the amount you believe you can afford for a car payment, take it for a test drive. Set that amount aside in a savings account for a few months. If you can do this and still pay your bills, you know the monthly payment amount works. Bonus – you've also saved up a down payment.

Is now a good time to buy a car?

The answer may be yes, or it may be no. It helps to consider market conditions. Is the vehicle you are looking for offered at a good deal? If you're financing, what are the current interest rates?

Be sure to comparison shop. There are so many sites dedicated to vehicle reviews and dealer information, so you can do your research from the comfort of your couch.

Your job is to be educated. Know the ideal price point for both your budget and target vehicle. Stay up to date on rates and promotions for financing the purchase. This knowledge will make sure you're ready when the opportunity arrives.

What's the right car for me?

Your needs will determine what kind of vehicle you need.

- Do you have kids, or plan to start a family soon?
- Do you find yourself occasionally renting or borrowing a larger vehicle?
- Do you need to be prepared to drive in inclement weather throughout the year?
- Do you like to pack your car with friends or rarely have passengers?
- Do you like a sporty drive?

Buying a car shouldn't be an impulse buy. Do your research, know what you want, and know how much you can spend ahead of time.

How do I get the best price on a new or used car?

There's usually wiggle room built into a vehicle's price. If you ask for the price you want to pay, they may accept the offer – and you could help the salesperson close the deal.

There's no harm in asking.

For a lower monthly payment, leasing the vehicle may be offered as a tempting option. Keep in mind this could affect your insurance premiums, so you will want to learn more about buying vs. leasing a new car.

Should I get pre-approved for a car loan?

A pre-approval could allow you to know your loan's interest rate and car payment before you shop. This knowledge also gives you a "bottom line" figure that you can use to negotiate.

Most importantly, when you apply for pre-approval, you're better able to determine your price range so you don't fall in love with a car outside of your budget!

Are you financing the purchase of the car?

Savings aren't just about money off of a sticker price. When rates are low, saving money on interest payments is a real consideration.

When offered a promotion, take time to do the math and ask about other options. For instance, some dealerships offer 0% deals periodically based on the financial market, but a deal like that may be offered in place of a rebate. In cases like this, taking money off a sale price and financing it at a low interest rate could be a smarter move than taking the 0% deal.

Finally, be cautious about structuring your loan to get the lowest monthly payments. Too much emphasis on lowering your monthly payment could cost you more in interest and often leads you to take out a longer loan.

Still have questions? Don't be afraid to ask an expert to help, such as a CFCU Loan Officer that is trained to help you understand auto loans.

Skip the potholes that frustrate your car-buying journey. Equipped with the right information, purchasing a vehicle should feel like a smooth road.

Here's the legal stuff: This article is provided for educational purposes only and is not intended to replace the advice of a financial advisor, loan officer, or similar professional. The examples provided within the article are for example only and may not apply to your situation. Since every situation is different, we recommend speaking to a professional you trust regarding your specific needs.