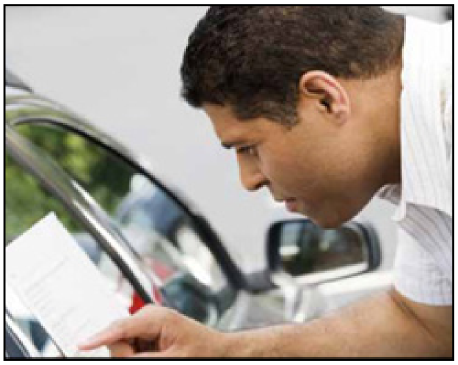
CHAPTER 14: Car Buying Strategies



INTRODUCTION

Car Buying Strategies is a 60- to 90-minute program suitable for all audiences.

Purchasing a vehicle is a large investment that can have a significant impact on an individual's short-term and long-term financial circumstances. Because purchasing a car can be a complex process, it is important that buyers understand the specific steps involved in making a wise purchase. This chapter is designed to develop knowledge and skills that will enable Marines and their families to conduct adequate research on a new car purchase, to determine how much they can afford to spend on a car, and to negotiate effectively when purchasing one.

LEARNING OBJECTIVES

Upon completion of this course, learners should be able to:

- Determine how much they can afford to spend on a car.
- Research available vehicles, lenders and sellers.
- Negotiate the purchase price of a car, financing and trade-in value.

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PREPARATION AND PROCEDURES

Activities with Handouts:

- "The Budget Bottom Line": A worksheet exercise in which learners calculate the affordability and total monthly cost of owning an automobile.

Additional Handouts:

- "Buying vs. Leasing"
- "Car Buying Resources"
- "Car Buying and Leasing Terminology"
- "Car Sales Tricks of the Trade"
- "Determining Car Payments"
- "Debt-to-Income Ratio"
- "Installment Sale Contract"
- "Session Evaluation"

Materials:

- Car Buying Strategies PowerPoint slides
- Pens, pencils and markers
- Chart paper or a whiteboard

Registration:

Registration ensures that you have an adequate number of materials on hand and that guest speakers are prepared if they have handouts or giveaways for their audience. Program registrants should be contacted by phone or e-mail two to three days before the program to verify participation. Sign-in is advised to track attendance.

Target Audience:

The target audience is Marines and their family members with a basic to intermediate knowledge of personal financial management.

KEY TERMS

- **Annual percentage rate (APR):** A measure of the cost of credit, expressed as a yearly rate. It must be disclosed before you become obligated on a loan and shown on your account statements.
- **Armed Forces Disciplinary Control Board (AFDCB):** Established at installations to advise on and make recommendations to commanders about matters and conditions that may affect the health, safety, morals, welfare, morale and discipline of the service members.
- **Customer incentives:** Benefits such as cash-back rebates, low-interest financing offers or other perks that are offered directly to buyers from manufactures.
- **Dealer holdback:** A percentage of the MSRP or invoice price of a new vehicle; which can vary according to the manufacturer, which is repaid to the dealer by the manufacturer usually quarterly. It is generally between 1- 3 percent of the MSRP. Generally the "luxury" models have lower or no dealer holdbacks. The dealer holdback is essentially designed to supplement the dealer's cash flow and profits which indirectly reduces variable sales expenses, such as sales commissions. This, in effect, artificially elevates the dealership's cost to the customer.
- **Dealer incentives:** Factory-to-dealer incentives that reduce the dealer's true cost to buy the vehicle from the factory. Typically a manufacturer will offer these incentives on a regional basis to generate sales on specific models. These incentives can be tied into sales targets and can touch off competition among dealers to move slower-selling stock. Once a sales target is reached, each subsequent sale could result in a higher factory-to-dealer rebate. If you negotiate, you may be able to get the dealer to pass on some of this incentive to you. Remember, it costs dealers to keep vehicle inventory in stock. An incentive does not have to be attached to a particular model. If a vehicle has been on a lot for a couple of months, dealers are more likely to be flexible on pricing.
- **Manufacturer's Suggested Retail Price (MSRP):** The base price of a vehicle at the time of introduction, including standard equipment only. The price does not include taxes, transportation and destination fees.
- **MIOT (Maintenance, Insurance, Operating Expenses and Taxes):** The total cost of owning and operating an automobile.

- **National Automobile Dealers Association (NADA):** Provides to dealers and consumers new and used car prices, specifications, pictures, reviews and other information to help in buying and selling vehicles. NADA also provides industry trends, education and training, and career information.

- **National Independent Automobile Dealers Association:** The not-for-profit organization representing the independent motor vehicle industry to promote, educate and advance the independent motor vehicle dealer. They provide to the consumer information which will promote a better understanding of the independent motor vehicle dealer's place in the economy.

- **Non Commissioned Officers Association (NCOA):** The NCOA was established in 1960 to enhance and maintain the quality of life for non-commissioned and petty officers in all branches of the armed forces, National Guard and Reserves. The NCOA offers its members benefits and services designed especially for enlisted service members and their families.

- **United Services Automobile Association (USAA):** A Fortune 500 financial services company offering banking, investing, and insurance to people and families that serve, or served, in the U.S. military.

QUALITY ASSURANCE PROCEDURES

To assure accurate and current information as well as a quality presentation:

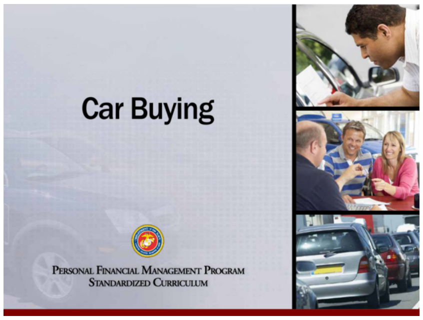
- Headquarters (HQ) and installation PFMs will review the curriculum annually or when there have been consequential changes to content regarding laws, regulations or military programs that could have a significant impact on Marines and their families. HQ will then update the curriculum.
- Distribute session evaluations to participants at the end of each workshop. Results should be tabulated and retained to measure the effectiveness of information provided at the session, in the program content, and of the delivery of the presentation.

CONTENT OUTLINE (75 MINUTES TOTAL)

1. Welcome and Introduction (5 minutes)
   a. Overview: Topics
2. Preparation and Research (35 minutes)
   a. Know What You Can Afford
   b. Do Your Homework
   c. Determine Your Car Payment
   d. The Budget Bottom Line
   e. Choosing Your Car
   f. New Car Considerations
   g. Used Car Considerations
   h. Warranties
   i. Depreciation
   j. Insurance
   k. Performance and Reliability
   l. Fuel Economy
   m. Choosing a Dealership
   n. Buying from a Private Seller
   o. Other Buying Options
   p. Determining a Fair Price
   q. Car Pricing Terminology
   r. Leasing
   s. Leasing Terminology
   t. Car Sales Tricks of the Trade
3. Negotiate the Purchase Price (5 minutes)
   a. Negotiation Strategies
4. Negotiate the Financing (10 minutes)
   a. The Cost of Money

   b. Where to Finance
   c. Contract Considerations
   d. Contract Strategies
5. Negotiate the Trade-In (5 minutes)
6. Car Buying Complications (10 minutes)
   a. Your Legal Rights
   b. Repossession
   c. Complaint Resolution
   d. Unforeseen Situations
7. Resources and Summary (5 minutes)

SLIDE 1: INTRODUCTION



SLIDE 2: OVERVIEW: TOPICS

INSTRUCTOR NOTES:

1. Introduce yourself and have the participants introduce themselves.
2. Introduce the topics to be covered in this session.

SECTION BACKGROUND INFORMATION

Almost every Marine will purchase a new or used car while on active duty. They will spend more of their disposable income on automobiles than on virtually anything else except food and shelter. This program explores how you can save hundreds, if not thousands, of dollars on your next vehicle purchase.

Although it can be exciting to dream and plan for buying a car, there are many opportunities to make unwise choices if you don't learn about the process before you buy.

This program focuses on the steps to follow for a successful and affordable vehicle purchase:

1. Preparation and Research
2. Negotiate the Purchase Price
3. Negotiate the Financing
4. Negotiate the Trade-In
5. Car Buying Complications

SLIDE 3: PREPARATION AND RESEARCH

INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Many people begin the car buying process by visiting a dealership — which should be one of the last things they do. Unfortunately, the process often ends the same day with the purchase of an inappropriate car at too high of a price. Dealers will ask about financing and trade-ins before offering a bottom-line price so that they can mentally calculate their profit to the buyer's disadvantage. You can save yourself hundreds, if not thousands, of dollars on your next purchase by doing some homework before you step onto the lot. Then, you will be in control of the buying process.

To make a successful purchase, there are five things you need to determine before stepping onto the lot:

1. How much vehicle you can afford.
2. The type of vehicle you want to buy.
3. Where you will buy the vehicle.
4. A fair and affordable price for the vehicle.
5. Whether you should lease.

SLIDE 4: KNOW WHAT YOU CAN AFFORD

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

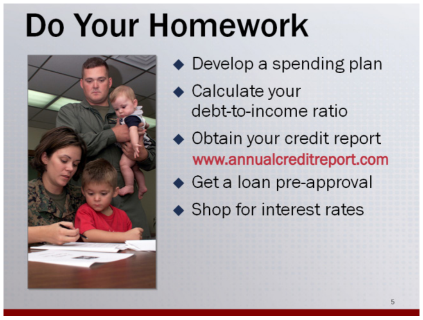
SECTION BACKGROUND INFORMATION

Knowing what you can afford means knowing how much you can spend on the car itself and on its upkeep. To save yourself money, time and effort, do your homework first to determine what you can realistically spend on a car.

A car costs you more per month than just the loan payments. There are operating costs, maintenance and insurance that you need to include in your monthly expenses. Your total monthly costs related to your vehicle should not be more than 25 percent of your net income (what remains after taxes). That 25 percent is made up of a 15 percent car payment and 10 percent for maintenance, insurance, operating expenses (fuel, oil, etc.) and taxes (MIOT).

You should also determine how much you can put down on the car. The more money you put down, the less you have to finance and the lower your monthly payment.

SLIDE 5: DO YOUR HOMEWORK



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "Debt-to-Income Ratio" handout to the participants. Tell them to use it as a guide, not an absolute measure, of their ability to take on more debt.
3. Distribute the "Car Buying Resources" handout. Tell the participants that the websites you are referencing are on this handout. Let them know they may want to take some notes on the back of it.

SECTION BACKGROUND INFORMATION

Develop a spending plan: If you already use a budget at home, review it and determine what you can afford to spend on your new car. If you don't already have a spending plan, now is a great time to start. The benefits of having a spending plan are greater than determining your car purchase and can affect your entire financial future. Developing a budget or spending plan before buying the car is a win-win situation.

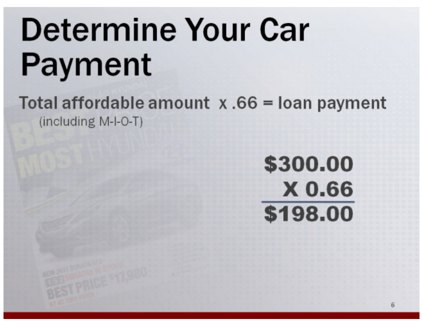
Debt-to-income ratio: You will need to know how much of your money currently goes to pay regular monthly debts so you don't overextend yourself by adding a car payment. To find this out, compute your debt-to-income ratio. The debt-to-income ratio is a figure used to determine whether a person is carrying a total debt load that is manageable, one that might lead to financial difficulties, or one that indicates a person is in immediate need of debt reduction and significant adjustments in their financial lifestyle. Use it as a guide, not an absolute measure of your ability to take on more debt. Use the scale at the bottom of the handout to determine whether you have "room" in your budget to take on more debt. If your debt-to-income ratio is higher than 20 percent, you should hold off on taking on more debt. Be aware that SECNAVINST 1740.4 states that your debt-to-income ratio should be no more than 30% in order to receive overseas orders.

Your credit report: Be sure to check your credit report as you work on your spending plan and debt-to-income ratio. A dealership will request a copy of your report, so it is best you look at it first, unless you are paying in cash or have pre-approved financing. Information on how to get your free annual credit report is included in the "Car Buying Resources" handout.

Pre-approved loan: Consider getting a pre-approved loan from your financial institution. This will provide information on interest rates, payments and terms in addition to ensuring you do not overextend yourself once you are at the dealership.

Shop for interest rates on the Internet and at your local bank and credit unions: Find out what interest rates your bank or credit union is offering. You can also find interest rates for auto loans in your area using the calculator at Bankrate.com. (http://www.bankrate.com/calculators/auto/car-finance-payment-calculator.aspx)

SLIDE 6: DETERMINE YOUR CAR PAYMENT



INSTRUCTOR NOTES:

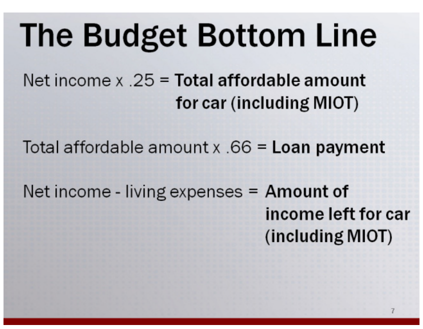
1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "Determining Car Payments" handout to the participants.

SECTION BACKGROUND INFORMATION

As mentioned earlier, financial advisers usually suggest keeping total car expenses to within 25 percent of your net income. Total car expenses include the car loan payment as well as maintenance, insurance, operating expenses, and taxes. These can sometimes total up to one-third of the monthly payment. There are several online resources to assist you in estimating the total cost of ownership, such as the "True Cost to Own" calculator at Edmunds.com.

A simple calculation to help you avoid spending more than you can afford is to multiply the amount you believe you can afford to spend each month on your new vehicle (the total cost) by .66. This amount will give you a good idea of what the maximum car loan payment is for your current financial situation. Some of the websites referred to on your "Car Buying Resources" handout also offer calculators to assist you.

SLIDE 7: THE BUDGET BOTTOM LINE



SECTION BACKGROUND INFORMATION

Scenario: Cpl. Paul Jones and his wife, Connie, are thinking about buying a new car. They have figured out their basic income and daily living expenses as well as savings and debt and have developed a budget. They have a pretty good idea about the type of car they want and what it will cost. Connie works part time while their 7-year-old daughter is in school. They currently own one car, which is paid off. They live in base housing. They have an emergency fund of $3,000 for any unexpected, therefore unbudgeted, emergency expenses.

INSTRUCTOR NOTES:

1. Conduct the activity described below.
2. Use the information in the column to the right to guide your discussion of the points on the slide.

Learner Activity: The Budget Bottom Line

Purpose: A worksheet activity where individuals will learn how to calculate the affordability and total monthly cost of a vehicle.

Time: 10 minutes

Materials: "The Budget Bottom Line" handout, pens and pencils.

Procedure: Give worksheets out to the class. Explain to the participants that they will be calculating the budget "bottom line" to determine whether the cost of the vehicle payment and expenses are affordable — i.e., will they fit into the budget without creating a budget deficit?

Read the opening scenario to the class or ask for a volunteer to read it.

Their total net income is $2,536 and their total monthly expenditures for utilities, renters insurances, transportation costs, long and short term savings accounts and credit bills as well as school loans are $1,265.

Paul and Connie have picked out a vehicle that suits their needs. They have calculated that their total monthly car payment will be approximately $357.

Can Paul and Connie afford this vehicle?

Worksheet Answers:

$2,536 x .25 = $634

$634 x .66 = $418.44

$2,536 - $1,265 = $1,271

According to these calculations, the couple has $1,271 left over each month and therefore can afford both the maximum payment based on net income and the amount the couple estimated for their chosen vehicle.

Having said this, there are many considerations to take into account when developing a budget and making a decision on a large purchase. You must think beyond the current picture. When will your economic picture change? Are you expecting a PCS move? Will you lose your second income when this occurs? Are you planning on adding to your family within the time frame that you will be making payments on your purchase? Do you have adequate emergency funds available? You must consider all and more of these types of questions when making an informed decision about how you are going to spend your hard earned money.

Consider: Even though the couple's budget shows a surplus sufficient to purchase the car, what if they have a 35 percent debt-to-income ratio?

SLIDE 8: CHOOSING YOUR CAR

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

The vehicle you purchase must strike the right balance between wants, needs and affordability. Everyone has different preferences for a vehicle and there are many factors to consider when deciding what to get.

To help you determine what type of car is right for you, the United States Automobile Association (USAA) suggests that you ask yourself the following questions:

- How many passengers will you need room for and what are their ages?
- Do you NEED cargo space or towing capacity or is it a want?
- Do you drive locally or do a lot of long-distance travel?
- Do you use child safety seats? How many? Which type?
- Do any passengers need help getting in and out of the vehicle?
- Transmission type (are in traffic a lot and prefer an automatic)
- What is the fuel economy and type of fuel
- Do you need a 2WD, 4WD, or AWD – remembering that where you live now isn't where you will live for your next assignment.
- Safety
- Mileage on vehicle
- Consumer Reports

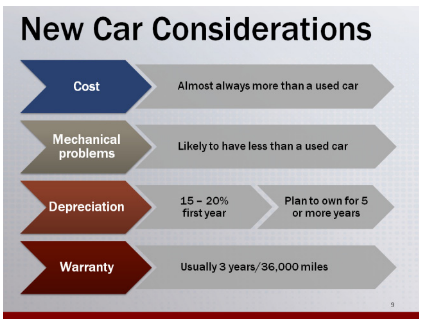
As a Marine, you should add to this list of questions -- How often will you be deployed? Will the car be used while you are away?

Once you have made some choices as far as the type and style of the car you need, you have another choice that can significantly affect the price — should you get a new car or a used car? Each one has positive as well as negative aspects; there are no absolute answers to the question of a new versus used car. Each buyer must consider their own needs and resources when making the choice.

Ask yourself do you need that GPS when most cell phones have that option. Do you need the satellite radio when most IPODs, MP3 players, or cell phones can do the same thing and you may already own one of these devices with that capability.

When evaluating the options really ask yourself if it is a "Need" or a "Want".

SLIDE 9: NEW CAR CONSIDERATIONS



INSTRUCTOR NOTES:
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SECTION BACKGROUND INFORMATION

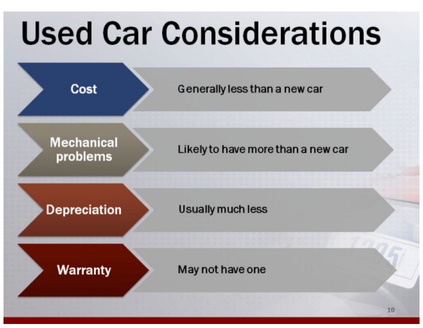
Cost: Almost always more than a used car.

Mechanical problems: Likely to have fewer problems than a used car.

Depreciation: The value of a new car diminishes rapidly following the purchase, anywhere from 15 percent to 20 percent in the first year. In practical terms, unless you have a substantial down-payment, you may actually owe more on the car for the first few years than it is worth. To get the full value of a new car, many consumers plan to own it for five or more years.

Warranties: The average new car warranty is three years/36,000 miles, although some automakers have warranties up to five years/60,000 miles and few still offer warranties of 10 years/100,000 miles. Extended warranties can be purchased at an extra cost.

SLIDE 10: USED CAR CONSIDERATIONS



INSTRUCTOR NOTES:

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SECTION BACKGROUND INFORMATION

Cost: Generally less than a new car.

Mechanical problems: Likely to have more than a new car. Repair costs can add significant amounts to the cost of owning and operating a car. Are you mechanically inclined and able to make your own repairs? Do you have an auto mechanic you know and trust? Have you considered using base auto hobby shops?

Depreciation: Usually much less than a new car because much of it may have already occurred during the previous ownership.

Warranties: May or may not have any time remaining. An extended warranty or service contract will add significantly to the cost of the car.

SLIDE 11: WARRANTIES

INSTRUCTOR NOTES:
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SECTION BACKGROUND INFORMATION

Manufacturer's warranty: To understand a car warranty you have to understand that a manufacturer's warranty is not an entitlement; it is an agreement between you and the car manufacturer. You are responsible to follow the specified maintenance requirements set by the manufacturer. By doing so, you have fulfilled your responsibility to the warranty agreement. The manufacturer is obligated to you to perform any repairs or replace parts due to a defect from poor workmanship, or a failed part for the time or mileage set forth by the terms of the warranty agreement. The car manufacturer is responsible for parts it makes; for example, engines, transmissions, suspension, steering, computers and emission control devices, instruments, chassis wiring, and anything else that they manufacture. These components and systems may have different time and mileage coverage. Maintenance items such as filters are not covered. In addition, wearable items such as belts, hoses, brakes, tires and the like are expected to wear out and, consequently, are not covered under the manufacturer's warranty. Tires, after-market stereo systems, conversion components, etc. fall under their own manufacturer's warranty.

Extended warranty/service contract: An extended warranty is a promise to perform (or pay for) certain repairs or services. Sometimes called a service contract, the extended warranty is not a warranty as defined by federal law. The term extended warranty is a misnomer, since, in the strictest sense of the word, these aren't warranties at all. Like auto warranties, they cover repairs and/or regular maintenance for an agreed-upon period of time. True warranties, though, are included in the price of the product; extended auto warranties are really service contracts, since they cost extra and are sold separately. An extended warranty may be purchased at the time you buy your vehicle or later but will be priced on your automobile's mileage, make, year, and body style at the time of purchase of the extended warranty. The separate and additional cost distinguishes a service contract from a warranty.

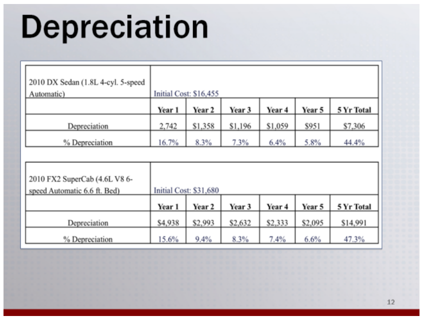
Ask yourself if the car has a "certified used" program that extends the original factory warranty. If you rotate cars every few years which is not a wise financial decision and you only drive 10,000 miles a year then it may not be worth purchasing a service contract depending on the current warranty on the car. However, if there is no remaining factory warranty on the car and you will be driving over 10,000 miles a year and keeping the car for many years you may want to consider it after evaluating reliability, what is covered, cost, the warranty itself, and is it transferable which can be a benefit if you sell the car. There are benefits to having a service contract. If you have an unforeseen mechanical failure or unexpected repair, it can help pay for those unexpected costs. A service contract is an insurance policy on your vehicle, a safeguard against expensive, unforeseen repairs. It is very important that you read your warranty and clearly understand all provisions listed. However, if your car proves its reliability then the extended warranty may become a waste of funds. If you do purchase the extended warranty some important questions to know the answers to are: If you use aftermarket parts will it void your original warranty? Do you have to use the dealer for repairs and maintenance? What is your deductible? It is important to get in writing exactly what is covered under the extended warranty. You will also want to know how the claims process works and if there are any limitations on where you can take your car for repairs. What if you are traveling and need an emergency repair? You should know when your warranty expires and ensure that you keep your car serviced at regular intervals. You will want to know if this is a third party extended warranty. These may require that a mechanic come to look at the car before permitting funds to be released for the repair. This can result in loss of the use of your car and a need to rent a car. Be sure to review and understand all paperwork regarding any extended warranty purchase.

As-is (no warranty): If you buy a car "as is," you must pay for all repairs, even if the car breaks down on the way home from the dealership. However, if you buy a dealer-service contract within 90 days of buying the used car, state law "implied warranties" may give you additional rights. Some states prohibit "as is" sales on most or all used cars. Other states require the use of specific words to disclaim implied warranties. In addition, some states have used car "lemon laws" under which a consumer can receive a refund or replacement if the vehicle is seriously defective. To find out about your state laws, check with your local or state consumer protection office or attorney general.

Implied warranties: There are two common types of implied warranties. Both are unspoken and unwritten and based on the principle that the seller stands behind the product. Under a "warranty of merchantability," the seller promises the product will do what it is supposed to do. For example, a toaster will toast, a car will run. If the car doesn't run, implied-warranties law says that the dealer must fix it (unless it was sold "as is") so that the buyer gets a working car. A "warranty of fitness for a particular purpose" applies when you buy a vehicle on a dealer's advice that it is suitable for a certain use, like hauling a trailer. Used cars usually are covered by implied warranties under state law.

No matter what type of warranty you have, it is a best practice to keep all of your service records and repairs regardless of who performs them. It is a good idea to put together a file for your cars warranty and service information so that you have all of your documents in one place so you can easily refer to them when needed. It is also a good idea to mark your calendar when your warranty expires and ensure that you get all necessary inspections and work completed prior to expiration.

SLIDE 12: DEPRECIATION



2010 DX Sedan (1.8L 4-cyl. 5-speed Automatic)	Initial Cost: $16,455					
	Year 1	Year 2	Year 3	Year 4	Year 5	5 Yr Total
Depreciation	2,742	$1,358	$1,196	$1,059	$951	$7,306
% Depreciation	16.7%	8.3%	7.3%	6.4%	5.8%	44.4%

2010 FX2 SuperCab (4.6L V8 6-speed Automatic 6.6 ft. Bed)	Initial Cost: $31,680					
	Year 1	Year 2	Year 3	Year 4	Year 5	5 Yr Total
Depreciation	$4,938	$2,993	$2,632	$2,333	$2,095	$14,991
% Depreciation	15.6%	9.4%	8.3%	7.4%	6.6%	47.3%

INSTRUCTOR NOTES:
Discuss the information on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

The majority of depreciation of value occurs in the first few years following the year of manufacture. But vehicles do continue to depreciate, at a slower rate, over their lifetime. If you intend to trade in a car at some point, you need to be smart about the resale value of cars. Not all cars depreciate at the same rate. You can compare the depreciation for cars you are thinking about buying by using Edmunds True Cost to Own tool at www.edmunds.com/tco.html.

The table provides an example of the depreciation on two commonly owned vehicles.

SLIDE 13: INSURANCE

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Once you have narrowed your choices to a few models, compare quotes on insurance costs. Sometimes two similar vehicles can have different insurance costs, and that cost difference may help you make a final decision on a model. Moreover, knowing the cost ahead of time enables you to figure this significant expense into the budget. For many junior Marines, the insurance payment can be as much or more than the car payment!

Tips for cutting your car insurance costs include:

- Shop around… Get at least three rate quotes and make sure you are comparing apples to apples. The Internet is a convenient place to do this. Get a copy of the latest Consumer Reports on auto insurance. The report provides good information on auto insurance rates and companies. Not all insurance companies are equal. Some have a reputation of being difficult to work with during an insurance claim.
- Remember that safety features such as anti-lock brakes, airbags, automatic seat belts, daytime running lights and security systems can sometimes merit discounts on your insurance policy. But the best savings is your driving record. Your insurance company will check your DMV record to help determine the price they will charge.

- Take a higher deductible to get a lower premium (but make sure you have savings to cover the deductible). If you have two or more vehicles, consider how much deductible you could handle if more than one car is damaged at the same time like in a major storm. Have you ever known anyone who backed their car into a family member's car or had their cars damaged by a hail storm or flood?
- Go over your policy and drop options or coverage that you no longer need on an older vehicle.
- Check your credit report. Insurance companies now check your creditworthiness before issuing a new policy or renewing a current insurance policy. If you have credit issues, it can affect the cost of your insurance or even your ability to get insured.
- Ask for discounts: low mileage, group, military, good student, etc.
- Avoid lapses in coverage.
- Be a safe driver. A poor driving record can increase premiums.
- Pay the premium up front, if possible, because there may be a fee associated with an installment plan.
- If leasing, read the lease to see if gap insurance is required. If so, shop around for the best deal. If gap insurance is required, you usually must have collision and comprehensive coverage as well. Gap insurance can provide valuable protection during the early years of your car's life whether you have a loan or a lease. If a loss occurs, gap insurance will pay the difference between the actual cash value of the vehicle and the outstanding balance on the vehicle within or based on certain limitations according to the provisions of the loan. Sometimes it will also pay your regular insurance deductible. Remember that each loan and insurance policy differs, so it is important to check the provisions of each for exclusions and coverage. All drivers are unique and the answers to questions such as "is leasing right for me?" will be as unique as each individual's car make and model, as well as their driving record.

SLIDE 14: PERFORMANCE AND RELIABILITY

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Too many consumers choose their car by the image it portrays. Your goal should be to choose the safest, most reliable and best-performing car for the price you can afford. Some sources of good information are:

Consumer Reports: Rates the reliability, safety, performance and fuel economy of cars and is relatively unbiased because it accepts no advertising. They also provide information on total cost to own a vehicle that includes six major elements: depreciation, fuel economy, insurance, interest on financing, maintenance and repair, and sales tax.

CARFAX Vehicle History Report: CARFAX reports contain information that can affect a consumer's decision about a used vehicle. Some of the information on a CARFAX report:

- Title information, including salvaged or junked titles
- Flood damage history
- Total loss accident history
- Odometer readings
- Lemon history
- Number of owners
- Accident indicators, such as airbag deployments
- State emissions inspection results
- Service records
- Vehicle use (taxi, rental, lease, etc.)

Keep in mind that if body work, repairs or maintenance was performed by a private individual or by the owner of the vehicle, this information will not usually show up on a CARFAX report. So even with a CARFAX report, it is still a good idea to have a used vehicle inspected by a mechanic or someone knowledgeable about vehicles before buying. If you are purchasing a vehicle that has depreciated a lot, a CARFAX is not always available for vehicles in the lower price ranges.

If the car was maintained at the same dealership that is selling it then you can see if the dealership will release the maintenance record without the personal identity information of the previous owner.

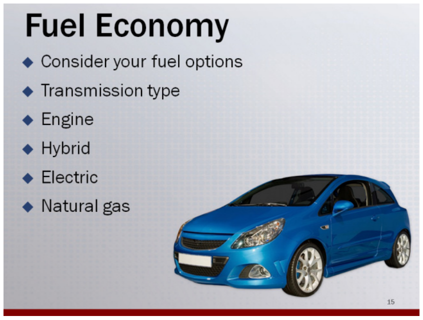
National Highway Traffic Safety Administration (NHTSA): The NHTSA, under the Department of Transportation, maintains a database of recalls. Millions of cars and trucks are recalled annually. Most recalls do not pose an immediate safety risk, but sometimes recalls involve problems that, although rare, could lead to serious safety issues. Research your prospective vehicle thoroughly to see if there have been recalls on that particular make and model. You also should verify whether the seller or dealership has properly repaired or replaced the defective items.

Technical Service Bulletins: Technical Service Bulletins are issued that tell dealerships to watch for what the manufacture has discovered. In some cases, the manufacture will pay for these costs but you may have to strongly request that. Ask dealerships to provide you with the Technical Service Bulletins so that you can verify that these issues have been resolved prior to purchasing the car.

You can get a report of the maintenance, technical service bulletins and recalls at http://www.edmunds.com/car-maintenance/guide-page.html

Other sources: You can also consult Consumers Union publications and the Insurance Institute for Highway Safety (IIHS). There are many websites that examine the cost and performance issues of vehicles listed on the “Car Buying Resources” handout.

SLIDE 15: FUEL ECONOMY



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

According to Edmunds.com, “When you shop for your next car, one of your top questions should be, ‘What kind of fuel economy does it get?’”

Gas prices have been on the rise, and many experts feel they will continue the upward trend indefinitely. Be prepared by making fuel economy one of your top priorities. Of course, you will want to get a car that meets your other needs. Still, you may be surprised at how many models are available that will provide good fuel economy and a long list of attractive features.

Options for fuel-efficient vehicles include:

- Manual vs. automatic transmission.
- Choosing the smallest engine possible for your chosen vehicle (i.e. four-cylinder instead of six-cylinder). Do a good comparison of the engines’ gas mileage, because some six-cylinders get better mileage than four-cylinders. Also consider the typical terrain you will drive; in an area with lots of mountains, a six-cylinder will not have to work as hard, which will save gas in the long run.
- Hybrid cars
- Electric cars
- Natural gas cars
- There are several choices among manufacturer’s options such as full-time 2WD, full-time 4WD, or a part-time 2WD/4WD where you have the ability to toggle to either one depending on the road conditions. You may also choose an AWD which is less fuel efficient than an automatic AWD which is capable of saving you fuel economy by recognizing road conditions and adjusting the car as needed. Each has its own advantages and level of fuel efficiency. It is wise to do your research and think about which option is best suited for your lifestyle and budget.

SLIDE 16: CHOOSING A DEALERSHIP

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Car buyers should research a minimum of three potential sellers. There are no absolute guidelines to follow in selecting a dealer, a salesperson or an individual from whom to buy a car. Do your homework and you should get a good deal no matter from whom you buy. Since buying a new car likely involves choosing a dealership, here are some guidelines to use.

Years in business: Although being in business for a long time does not necessarily mean that the dealer is honest and reliable, the worst of the dealers (in terms of how buyers are treated) seem to go out of business fairly quickly.

Complaints: Check with the Armed Forces Disciplinary Control Board, the Office of Consumer Affairs of the Attorney General, the Better Business Bureau and any professional associations to which the dealer belongs for any complaints filed against them. Also ask your fellow Marines, especially those who are more senior or have been in the area for some time. They will typically be able to warn you away from the dealerships with questionable reputations.

Salespersons and mechanics: How long have they been with the company? Again, not a foolproof factor, but anything that suggests company stability is frequently a good sign. Take your salesperson for a "test drive"— are they pushy? Relaxed? Open? Impatient? Responsive? Are they knowledgeable about the product they are selling when it comes to things such as performance, mileage, recalls, technical service bulletins, etc? Make sure the salesperson is someone you can work well with. What certifications do the mechanics have? How long have they been working with that brand of car?

References: These are sometimes used to impress the buyer, but unless you can get a complete list of everyone who has ever bought a car from them, assume they are giving you the names of persons who will only say positive things. In other words, skip checking their references.

Professional membership: Membership in the Better Business Bureau, National Automobile Dealers Association or National Independent Automobile Dealers Association does not automatically mean a good deal for you. It does, however, give you some reassurance that there are avenues for you to address concerns if they occur.

Slide 17: Buying from a Private Seller

Instructor Notes:
Discuss the points on the slide using the information in the column to the right.

Section Background Information

Frequently, car buyers can save money by purchasing from a private seller. The downside is that there is little or no consumer protection after the sale. The best insurance you can have is to do your homework before your purchase. Know your seller as best as you can and find out as much about the vehicle you plan to purchase before you get there. One way to find out information on a specific vehicle is to get the VIN and go to the various dealers in town to see if any work was completed on that vehicle. Another good option is to take the vehicle to a professional mechanic and have it inspected. You may find that there are major problems that would keep you from buying the vehicle or minor problems that you can negotiate.

When looking at buying a car from a private seller you should ask about any remaining warranties on the car and if they are transferrable. Is there an original warranty on the car with any time remaining? Is there an extended warranty on the car with any time remaining? Are they transferrable? Is there a prepaid maintenance plan on the car and is it transferrable?

Although most of us want to trust others, please consider your personal safety when conducting transactions with a private seller. Be cautious about disclosing personal and financial information, and make sure to take along a friend or family member when test driving or viewing the vehicle. It is also a good idea to arrange to meet at public locations that are highly visible, preferably during daylight hours.

SLIDE 18: OTHER BUYING OPTIONS

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Many people have a successful car buying experience using various other services. Just make sure you have done all the research you can so that you make a wise decision.

Direct services: They will sell you the car and deliver it to your house.

Referral services: Your quote is given to a "preferred" dealer who contacts you.

Auctions: You name your price, and dealers bid for your business.

Online dealerships: You browse cyberspace car lots and buy online.

Buying services: Some organizations offer their members buying services, in which the consumer indicates the make, model, year and exact options they want and the organization does the shopping for them. They will present the buyer with several dealers offering the car and the price the dealer offers. The buyer has the option of following up on that offer (which might even be guaranteed) or declining. Usually this service is offered at no cost to the buyer. Some of these organizations include USAA, NCOA, and Autobytel. The same type of service can be found on the Internet at sites specializing in car-buying information and pricing.

SLIDE 19: DETERMINING A FAIR PRICE

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Auto dealers and private individuals have a right to make a reasonable profit on the sale of a car. What constitutes a reasonable profit? To know this, you must know what constitutes a fair price for the vehicle.

Price your vehicle at dealer invoice, subtract any dealer holdbacks or incentives, add 3 to 5 percent dealer profit and start your offer there. When working with a dealer who provides you with pricing information, make sure you know the source — it could be biased.

Your best bet will be to do price research on your own from sources you know are reliable. Check out Internet sites, especially www.edmunds.com and www.nada.com. These sites will price a new or used car and also have information on buying and selling, financing and insurance. The dealership will try to convince you those are not accurate but they are extremely close. The dealer will also say “We can’t make any money on that if we sell it for that”, or “The salesman’s pay depends on the sale price of the car”, or “You are taking the shirt off our back”. Don’t let any of that fool you, stick to your plan and research. Additional resources include:

Public libraries: One of the best sources of information on car pricing, where many of the resources listed below can be found.

Kelley Blue Book and NADA pocket guides: These list suggested retail and loan values for specific makes and models of used cars. Factors such as mileage, options and physical condition of the car affect its value. These guides offer great starting figures. They can be found on the Internet at www.kbb.com and www.nada.com.

IntelliChoice car cost guides: Besides the dealer cost and sticker price, the guides list items such as resale value, economic value, maintenance costs, etc.

Consumer Reports/Consumers Union price reports: Each April issue of Consumer Reports is devoted to cars and pricing, and they offer a low-cost service to provide the dealer cost for particular makes, models and options.

SLIDE 20: CAR PRICING TERMINOLOGY

INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "Car Buying and Leasing Terminology" handout to the participants.

SECTION BACKGROUND INFORMATION

As you start researching a fair price for your vehicle, it helps to understand the terminology used in the industry. Some important terms to know are:

Base price: Cost of the car with the standard equipment and basic warranty.

Carryover allowance: Another manufacturer-to-dealer incentive to clear out prior-year models.

Customer rebate: A manufacturer incentive usually in the form of cash or lower interest rates.

Dealer holdback: A bonus amount (usually 2 percent to 3 percent of MSRP) the manufacturer pays to the dealer for meeting sales and customer service goals, regardless of the actual sale price of the vehicles.

Dealer sticker price: Monroney (window) sticker price plus MSRP of any options installed by the dealer.

Destination charge: What the manufacturer charges to deliver the vehicle to the dealer.

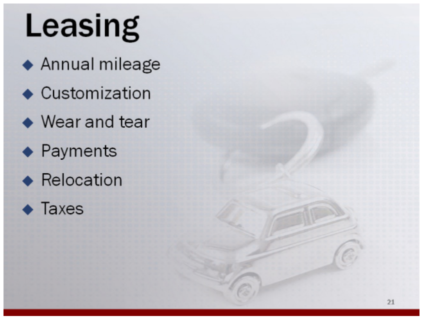
Invoice price: What the manufacturer charges the dealer (the dealer's cost may actually be less due to rebates and incentives, etc.).

Manufacturer's suggested retail price (MSRP): The recommended retail price as suggested by the dealer and posted on the vehicle. Dealers can sell a car for whatever price they choose. MSRP averages 10 to 11 percent higher than the dealer invoice price.

Monroney sticker price: The price listed on the sticker on the car window. This includes base price, installed options, destination charges and fuel economy information.

Manufacturer-to-dealer incentive: Extra money the automaker pays the dealer for selling certain cars. May be used to increase advertising, lower the prices and/or increase dealer's profitability.

SLIDE 21: LEASING



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

If you are thinking about leasing instead of buying, you need to understand the difference in the contracts and some of the issues that are unique to the Marine lifestyle. There are often mileage restrictions, charges for excessive wear and tear, and limits on where you can take a leased vehicle. Consider leasing only if:

- **You can limit your annual mileage.** Leases have limits commonly ranging from 10,000 to 15,000 miles per year. If you exceed the limit, you will face high per-mile fees at the end of the lease.
- **You take excellent care of your vehicle and do not plan to customize it.** When you turn the car in at the end of the lease, you can be charged for any "wear and tear" considered excessive. The car must be in original condition so that the dealer can resell it, so customizing is out of the question.
- **You want to drive a new car every few years and do not mind always having a car payment.** It is often more economical to buy a car and keep it as long as possible. However, if you like a shiny new car every few years, you will end up with continuous car payments.
- **Do you expect that you may need to PCS**. Many leases may state that you are not allowed to take the car out of the country, and may even limit you from taking it out of the state. The Servicemembers Civil Relief Act (SCRA) makes provisions to allow a servicemember to terminate certain lease agreements. There are conditions that must be met, and they are essentially tied to the lease being executed by or on behalf of a person who thereafter and during the term of the lease enters military service under a call or order specifying a period of not less than 180 days. Or who enters military service under a call or order specifying a period of 180 days or less and who, without a break in service, receives orders extending the period of military service to a period of not less than 180 days. Or the

servicemember, while in military service, executes the lease and thereafter receives military orders for a permanent change of station outside of the continental United States or to deploy with a military unit for a period of not less than 180 days. It is a good idea to consult with Base Legal if you have any questions about leasing or breaking a lease on an automobile.

- **Tax considerations when leasing:** Remember that when you lease a car, you do not own the car, the dealership does. This is important if you live in a state that requires residents to pay personal property taxes on their vehicles. Although you may be exempt from the taxes as a Marine, the dealership "resides" in that state and therefore you will be required to pay those taxes as part of your lease. If you leased the vehicle to lower your monthly payment, you may find that you get stuck with a lump-sum tax payment on top of lease payments. Do your homework and check with the department of motor vehicles in the state you reside in to find out what the laws and requirements are before you commit to a vehicle lease.

SLIDE 22: LEASING TERMINOLOGY

INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Refer to the "Car Buying and Leasing Terminology" handout.

SECTION BACKGROUND INFORMATION

Prior to negotiating for a lease, you will want to brush up on your "lease-ese," or the language of leasing. Here are just a few of the terms you will want to be familiar with:

Acquisition fee: A fee charged by the leasing company, usually \$250 to \$500 and is sometimes amortized in the monthly payment. Sometimes you pay the fee up front at inception.

Adjusted capitalized cost: Also called net capitalized cost. This is the "capitalized cost" (selling price), less deductions to reduce the price of the car, like down payment, non-cash credits, trade-in credit, rebate. Adjusted capitalized cost is used to calculate your base monthly payment. Think of it as "amount financed."

Base monthly payment: The part of your monthly payment that is made up of just the depreciation during the lease. This is calculated as (net capitalized cost - residual) ÷

(number of months in lease). The base monthly payment is added to your monthly interest and tax to arrive at your total monthly payment.

Capitalized cost: The selling price of the car, options, warranties, insurance, rust proofing, or other goodies. Think of this as the value of your car at the beginning of the lease, whereas the residual value is the value of the car at the end of the lease.

Capitalized cost reduction: This is anything that reduces the capitalized cost before the monthly payment is calculated. It includes cash down, trade-in credit and manufacturer's rebate, etc.

Closed-end lease: At the end of the lease, return the car with no obligations. You can buy it if you like at the residual value, but you do not have to.

Depreciation: The drop in value that the car is predicted to have during your lease. It's the difference between the adjusted capitalized cost and the residual value. Depreciation is part of what your monthly payments are paying for. That's why you want the lowest capitalized cost and the highest residual value: Monthly depreciation fee = (net capitalized cost - residual) ÷ lease term.

Disposition fee: A charge by the leasing company at lease end to “fix it up for resale.” Many people don't realize this fee is not declared on the first page of the lease with the other numbers, it's buried in the fine print of the “end of lease requirements” section.

Down payment: The amount of cash you put down to reduce the capitalized cost, and hence your monthly payments. It is subtracted from the car’s capitalized cost, before the monthly payment is calculated.

Early termination fee: A penalty you must pay if you terminate your lease early or total the car in a wreck. This could be several thousand dollars. Early lease termination should be avoided at all costs. It is important to utilize all protections afforded you under the Servicemembers Civil Relief Act. It is very important that you refer to the act and your Base Legal Services Office prior to terminating an auto lease to protect your legal rights and ensure you do not acquire unnecessary debt.

Excess mileage: You are typically limited to 10,000 to 15,000 miles annually, so watch your mileage. The customary rate is 15 cents per mile over the limit. An extra 2,000 miles each year on a three-year lease contract could cost you $900. The mileage limits and overage charges will be stated in the leasing contract. That being said, be wary of paying for extra mileage up front; you won't get a refund if you don't drive the excess miles.

Excess wear and tear: Damage or wear on the car beyond normal wear and tear, even if the car appears to be in good condition. Read the lease and understand what it says about excess wear and tear. Have the dealer explain their standards of "excess" wear.

Finance fee: Also called lease charge, or more commonly rent charge, this is the "interest" or profit that the leasing company charges you. Here's how they calculate it: Finance fee = (net capitalized cost + residual) × money factor. This is not the same thing as interest on a loan, and the calculations are different. To calculate the equivalent APR, multiply the money factor by 2,400.

Gross capitalized cost: The selling price of the car. Sometimes dealer acquisition fees are included in this amount.

Insurance: Leases require greater insurance coverage than most people opt for on their own: bodily injury or death liability: $100,000 per person and $300,000 per occurrence; property damage liability: $50,000; comprehensive and collision for full vehicle value with a maximum $500 deductible. These higher requirements can significantly increase the monthly costs to operate the vehicle.

Money factor: A number used to calculate finance charges (interest) for your monthly payment. To get the APR, multiply the money factor by 2,400. For example, a money factor of .003333 yields an interest rate of (.003333*2400) 8 percent. When converting money factor to APR, it should at least be comparable to or lower than local new car loan interest rates. Like interest, the lower the money factor, the lower your monthly payments.

Monthly payment: The monthly lease payments made over the term of the lease. Monthly lease payments are made up of three parts: 1) depreciation, 2) rent charge and 3) sales tax. You pay the leasing company for the loss in value of its car, as well as interest on the money they have tied up in the car.

Net trade-in allowance: This is the amount the dealer is giving you for your trade-in, after paying off any loan balance on your trade-in. If you were upside down on your loan, whatever is left is financed into the lease, effectively increasing the adjusted capital cost of the leased car.

Purchase option fee: A fee charged if you opt to buy the vehicle at the end of a lease. This fee is highly negotiable.

Purchase option price: The selling price of the vehicle if you buy it at the end of the lease. This is usually the residual value.

Residual value: The value leasing companies estimate the car will be worth at the end of the lease, expressed as a percentage of MSRP. The residual value affects the amount of your monthly payment. Ask your bank or credit union for residual values.

Sales tax: They usually tax the monthly lease payment at the local sales tax rate and add it to the base payment to get your total monthly payment.

Security deposit: Usually equal to one month's payment paid up front as security for excess wear and tear.

SLIDE 23: CAR SALES TRICKS OF THE TRADE

INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "Car Sales Tricks of the Trade" handout to the participants.

SECTION BACKGROUND INFORMATION

This negotiating information applies to leasing as well as buying.

Most salespeople are reasonable, honest individuals. Some, however, are not above using techniques intended to pressure you into making a commitment you may not be ready to make. Be aware of these tactics. Should you encounter them, you might choose to tell the salesperson you are aware of their tactics and prefer they not try them, to ask to see a different salesperson or to simply leave.

Put to ride: When a salesperson cannot persuade you to buy today, they may insist that you leave your trade-in at the dealership, keep the new car overnight and drive it home. This way, no other dealership can see your trade-in, your neighbors and relatives see the car, and you fall in love with it and have a hard time saying no to purchasing the car when you have to bring it back the next day.

Bait and switch: When a dealership runs an ad with a picture of a well-equipped car and the price of a stripped-down model to entice you to come in. You are then shown the stripped-down model and quickly switched to the well-equipped one with a higher price tag.

Lowballing: This occurs when the salesperson quotes you a price on a car that is lower than the current market price. This is done to assure that you will return before signing with anyone else just to see if the offer still stands. At this point, the salesperson will tell you that they cannot sell the car for that low a price because the sales manager will not allow it.

Highballing: This is the same as lowballing, except that a high trade-in allowance figure is offered to you. Again, you come in later and the manager will not allow it.

Padding: Adding charges that increase the dealer's profit at the time you sign the contract; i.e., undercoating, protection packages, dealer-installed options, credit life insurance, disability insurance, extended warranties, etching, etc.

Good guy/bad guy: When the salesperson plays the role of the "good guy" and the manager plays the "bad guy" to enhance the image of the salesperson. The salesperson and manager may even stage an argument in front of you, with the salesperson trying to persuade the manager to give you a lower price. Once you believe that the salesperson is on your side, you drop your guard and become an easy mark. They may even say they were previous military to build that bond with you. This may or may not be true, but in a military town it is to the salesperson's advantage to make this statement.

"Your car": This refers to when the salesperson keeps referring to the car as "your car" to get you subconsciously to accept ownership of the car. Once accomplished, it is easier to get you to sign the contract.

"Van Drive to a Great Deal": Someone promises a great deal on a car and there is a van to take you there. You get there and they won't drive you back if you don't buy.

While the salesperson wants to start high, your goal is to get as much car as you can for as little as you can. There are a lot of stories about sleazy salespeople and tactics — do not let them determine your behavior. Treat the sales force and anyone else at the dealership with the dignity you would expect for yourself — but learn how to negotiate and do it effectively, or leave when you feel you're being taken advantage of.

SLIDE 24: NEGOTIATE THE PURCHASE

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

There's a lot to be said for brushing up on your negotiation skills. Philip Reed, senior consumer advice editor at Edmunds.com writes, "If you want to get motivated about negotiating, think of the money you can save. In a $20,000 car, the difference between the sticker and the invoice (dealer cost) is between $1,500 and $3,000. This is the negotiating territory. If you negotiate even a little, you can probably save $1,500 on most cars. If you negotiate actively you might save $3,000 (dealer hold-backs and rebates mean that you can sometimes buy a car for invoice or below). Think about $3,000 for a minute. Think of a thick stack of $100 bills. Or a much thicker stack of $20 bills. This savings can be yours for an hour's worth of negotiating at a dealership."

Salespeople are trained in the art of selling. In the majority of instances, their pay includes a commission based on the sale price of the vehicle, so they have a vested interest in getting the highest price possible for the car. When you walk into a car dealership, the salesperson views you as a profit package: you might buy a new car, you might buy high-profit extras in the finance and insurance office, you might finance the car through the dealership, you might trade in a used car they can resell, you might have your new car serviced at the dealership, and you will hopefully become a return customer the next time you are buying a new car. You present quite an opportunity to the dealership, and this can work in your favor when negotiating.

Remember, the No. 1 rule for all deals is "everything is negotiable!"

SLIDE 25: NEGOTIATION STRATEGIES

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Here are some negotiation tips to help you hone your skills:

Information: The salesperson's goal is to get as much information about you as possible. With your name, military status and particularly your Social Security number, a car dealer can determine what you might pay for a car and, at the least, institute a credit history check (even without your knowledge or permission). You should only give them your first name until it comes down to contracts.

Trade-in: Do not forget that there are three elements to the car deal: the purchase price, the financing and the trade-in -- in that order. The dealer will try to combine them, and you need to keep them apart. Practice saying the phrase, "That's not important right now." Do not say you are trading in a vehicle until you have worked out the price.

Money down/deposit: Do not advertise how you will pay for the car. Again, use the phrase "That's not important right now." If they ask for a deposit, do not pay it (unless you are absolutely certain you will buy the car). Research clearly shows that people who have put down a deposit are much more likely to buy the item, even if they prefer something else! You will have to return even if you change your mind and may have trouble getting your money back. If the car you were looking at actually is sold, they will find another for you to purchase; do not feel pressured. Another tactic is to advertise no payments for 3 months. It is important to remember that in those 3 months the vehicle is depreciating, interest costs are going up and you are not paying down your loan. In many of these cases they tack on the cost of interest to the end of the car loan. This could place you upside down in regards to the loan value and the value the insurance company places on it if it is totaled in an accident -- resulting in you owing a remaining balance on that loan and now having to purchase another car unless the GAP insurance does its job. Pay attention to anything that is "free" as car dealers are not in the business of giving away free products or services and they spend millions of dollars on advertising and promotional marketing to get buyers in the door and then close the deal on the sale.

Discounts: If the salesperson offers a discount, ask if it will apply a week later (in many cases, it will). If they do not bring up the subject, ask for one. Even the "one price/no haggle" dealers might discount options, etc. You never know unless you ask.

Like the car: One of the goals of the salesperson is to get you to say you like the car. The sooner an emotional connection can be established between you and the car, the more likely you are to buy it. Try to keep your emotions out of it and remember this is a business transaction.

Shop twins: Some models have identical twins on other car lots with different nameplates on them. For example, the Chevrolet Suburban, GMC Yukon XL and Cadillac Escalade ESV are twins — triplets, really. Or for used vehicles the Dodge Dakota and the Mitsubishi Raider are also twins (the Raider was discontinued in 2009). If you are interested in a model with a twin by another maker be sure to consider them both and choose the one for which you can get the best deal.

Paying with cash: Stating up front that you intend to pay by cash could work against you. The dealership and the salesperson make more money when they find the financing for you and lose this profit if you pay cash. If you tell the dealership that you will use 100 percent financing, they may give you a better deal on the sale because they plan to make up the profit on the back end of the deal. This gives them more of an incentive to offer a discount. The best route, however, is to refuse to address financing at all until you have negotiated a fair price.

Options: Dealer-installed options are frequently available at other sources and much cheaper than buying through the dealer. Often, they are unnecessary (like rustproofing), cheaper if done yourself (like fabric and paint protection) and sometimes can even void your warranty (like undercoating). If there are options already on a car that you do not need, tell them to remove the options. Many times, they will just leave them on and not charge you.

Inspection: Knowing the condition of the car you intend to purchase will give you an advantage when it comes to negotiating the price. Particularly when purchasing a used car, it is important that you carefully inspect the car or that you have an independent mechanic inspect the car, or both. Even if you are not a “car guru,” there are a number of things you can easily check to determine if the car is worth your time and your money. Exterior inspection: Does everything look straight and true, do the panels match up, looking down the sides from the front or back do you see any work that has been done or waviness, look from the back or front and make sure the car looks straight, is there any overspray of paint when you open the doors, trunk or hoods, can you find all the VIN numbers still intact or does it look like they have been removed and replaced, are there any improper repairs, is anything (trim, etc.) missing, is the glass in good condition, are the exterior mirrors in place, do all the lights work. Interior inspection: Do the seatbelts work, does the interior wear and tear fit with the exterior appearance, pull up a corner of the carpet and look under the seats to check for rust (both in the cabin and in the trunk), do all the systems work (check the heat even in the summer and the A/C in the winter), do all lock and window controls work. This is just a quick run-down of what to check. There are several comprehensive checklists available on websites such as IntelliChoice. Even if you are a “car guru,” it is a good idea to have an independent mechanic check over a used vehicle prior to purchase. It is well worth the $75 to $125 you will pay to have a fix-it list as a negotiating chip or, more importantly, potentially avoid paying hundreds, if not thousands, of dollars for undetected repairs. If you do not have a trusted mechanic, there are several options for locating one. Talk to your fellow Marines, especially those who have been car owners for some time and/or have been in the local area for a while. They may be able to provide the names of mechanics they know and trust. You can also check the mechanic’s reputation with the Better Business Bureau. If you have an Auto Hobby Shop at your base, they may be able to give you referral as well. Once you make a good connection with a mechanic, this is a good time to start building that relationship for the future.

Test drive: A test drive can give you insight into the condition of the car you intend to purchase, thereby making you aware of any items you may be able to use in your negotiation of the purchase price. This is one of the most overlooked steps in buying a car (particularly a used car). When you test drive a car, really test it! Drive it as closely as you can to your actual driving conditions: stop-and-go traffic, long trips, highway acceleration, rough roads, etc. Turn the radio off and listen carefully. Try every knob and switch. Leave the salesperson behind if possible; if not, ask him or her to be quiet and even sit in the back seat. Try to minimize any distractions; for example, you may want to consider leaving any children at home with a babysitter. Be very cautious and ensure you are in safe conditions such as an empty parking lot, and let the wheel go to see if the car continues to drive straight.

Extended warranty and/or service contract: Extended warranties or service contracts are more dealer profit than value to the purchaser especially if you don't negotiate the price and your car does not have costly maintenance during the terms of the extended warranty. They are meant to take over when the manufacturer's warranty runs out. You can buy an extended warranty at the time you purchase a car and this extended warranty is negotiable. When they offer you the price don't be afraid to counteroffer at least 50% of the original stated price. If you don't negotiate the price down at the dealership, you may pay more for it than you needed. Furthermore, if you don't write a check separately to pay for this extended warranty then the dealership will add it to the purchase price of the car resulting in interest accruing on this extended warranty over the life of the loan. The dealership most likely will not tell you this, but the extended warranty they will probably be offering you is a third party extended warranty which we discussed earlier. You must decide if you want a third party warranty or request a manufacturer's extended warranty if the car you are purchasing is eligible for it. Surprisingly, you may find if your car is eligible for the manufacturer's extended warranty the price may be the same. New cars have excellent reliability, often making an extended warranty unnecessary. If you do decide to purchase an extended warranty on a new or used vehicle, you have until your original manufacturer's warranty expires to shop around. You can purchase an extended warranty directly from the manufacturer or through your insurance company, bank or credit union, and possibly at a lower price than the dealer was offering. It would be advisable that you do your research. However they will determine the price by the number of miles and possibly after a certain mileage point they won't be able to offer a manufacturer extended warranty but only a third party extended warranty.

Prepaid maintenance plans: Prepaid maintenance plans are another negotiating point. It's important to understand that a prepaid maintenance plan is not an extended warranty. Typically, prepaid maintenance plans cover only the regularly scheduled maintenance listed in the owner's manual. The prepaid maintenance plan may come in different package levels such as Gold, Silver, and Bronze. Typically, those items that most people want are placed in the highest package level. If the prepaid maintenance plan you purchase is for 36,000 miles and 3 years, then you have prepaid for just what is listed in the plan's contract — usually comparable to the maintenance listed in the owner's manual. It is advisable that you run the numbers separately as if you would pay as you go and compare it to the prepaid maintenance plan price. Which method is more financially advantageous to you?

You may also hear the term "lifetime maintenance plan". This can simply be a prepaid maintenance plan that is good over the lifetime of the car or a sales tactic to get people to purchase a car at their dealership where most likely the maintenance must be done there and it may already be figured into the price of the car. You will need to evaluate what this plan includes for its price and see if the price of the car has been adjusted compared to other dealer prices for the exact car.

One other factor to evaluate when considering maintenance plans is whether they are portable. It doesn't do you any good to have purchased a prepaid maintenance plan for your vehicle that can only be used at the dealership outside

Camp Pendleton if you get transferred to Camp Lejeune one year after purchase. Just like the extended warranties, be cautious of rolling the cost of the service contract into the financing.

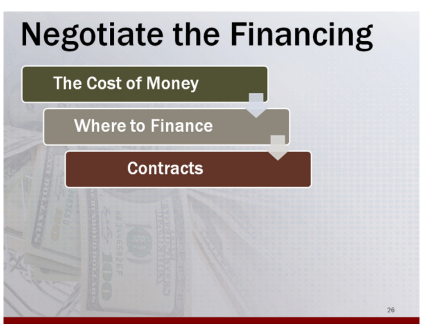
Any time you hear the words "free" regarding services for items such as maintenance packages or other add on services you should become alert. Nothing is free and you need to be aware that they are attempting to reel you in to close the deal. You need to educate yourself and make the right decision for you.

Take your time: Never buy the first thing you see. Sleep on such a major decision overnight. There will always be others to choose from if "your car" is sold.

180-degree turn: If you do not like what you hear, do not be shy about turning around and leaving. Remember, it is your hard-earned money and your decision.

Allow for enough negotiating time: Plan to spend a half a day if you really plan to negotiate the difference in the dealership price and the price you feel is fair after doing your due diligence.

SLIDE 26: NEGOTIATE THE FINANCING



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Remember to negotiate three separate deals: The purchase price of the car, the financing, and then the deal on the trade-in. As mentioned earlier, this will save you money!

Things to consider in the financing deal include:

- Where to finance
- The cost of money — finance charges
- Contracts
- Terms
- Extended Warranties/Service Contracts
- Service packages (oil changes, GAP insurance, Inspections, Road Hazard, tire rotation, etc)
- Be aware that when you see a "no payments for 3 months" offer you are not getting a price break. You are simply adding time on the length of your loan, you are not paying down your debt, and your car is depreciating in value.

SLIDE 27: THE COST OF MONEY

INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. More detailed information about calculating interest rates can be found in the Credit and Debt Management class.

SECTION BACKGROUND INFORMATION

So that you can talk knowledgeably about your financing terms, let's discuss the different types of interest. Interest is expressed as an annual percentage rate but is computed in several different ways.

Compound interest: Interest for the total amount of the loan is computed for the length of the loan and added to the principal. This is an expensive option, since you pay interest on the entire loaned amount for the entire year, even though you are reducing the balance you owe each month.

For example, financing $1,000 for one year at 12 percent add-on interest would result in a finance charge of $120.

Simple interest: Paid on the outstanding balance only and by far the most reasonable to the consumer. Credit unions are required by federal law to charge simple interest only.

For example, financing $1,000 for one year at 12 percent simple interest would result in a finance charge of $66.19.

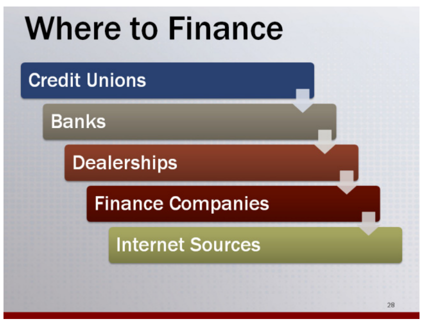
Rebate or lower interest rate?: One decision you may have to make is whether to take a lower interest rate offer or a higher interest rate paired with a manufacture's rebate. Bankrate.com come provides a good calculator to find out which offer is the best financially for you. Their calculator is at: www.bankrate.com/calculators/auto/low-interest-rebate-calculator.aspx

Example: Loan amount = $20,000, Term = 36 months, Interest rate with rebate 5 percent; Interest rate without rebate 4 percent; Rebate amount = $2,000. Taking the 5 percent with rebate would save $1,700!

Pay attention to the interest rate and the total interest on the vehicle. An interest rate of 20, 30, 100, or 400 percent is unacceptable and will lead you down the road of a huge amount of debt and having a car that is upside down on its value vs. the loan.

Usury laws: State usury laws limit the amount of interest that can be charged on a loan. Know what the limits are in your state and read contracts thoroughly before signing. The federal Truth in Lending law requires that the annual percentage rate be disclosed in the financing documents. Read the fine print and take contracts to Base Legal Services Office before signing.

SLIDE 28: WHERE TO FINANCE



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Credit unions: A good place to look because of their nonprofit status and competitive terms. By law, the federal credit unions can only calculate interest using the “simple” method. Also, your credit union may have an in-house buying service available. You must be a member and have fairly good credit.

Banks: Like credit unions, only for-profit institutions. Usually the next-best option and still require good credit.

Auto dealerships: Usually do not have the amount of cash on hand needed to finance a purchase, so customarily have a relationship with a finance company for this purpose. Consumers who agree to finance a car through the dealer frequently find themselves making payments to a finance company, not the dealer. By choosing to use one finance company over another, dealers are frequently paid a percentage of the loan as a commission. This is passed directly on to you, the purchaser, along with the normal cost of financing the loan.

There are some benefits to financing with the dealer, however. It can be convenient (one-stop shopping) and, since the dealer probably has multiple finance relationships, they may be able to get an especially good deal.

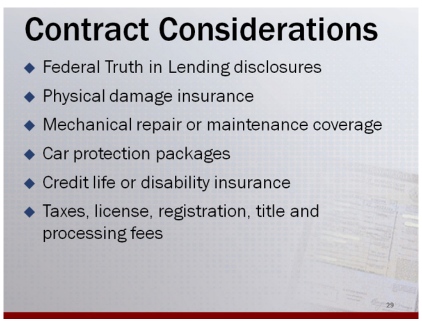
Ideally, you should arrange your financing ahead of time and get preapproved for a loan at your credit union or bank. But in the interest of shopping around, it doesn’t hurt to see what the dealer has to offer. If you walk in with a preapproved loan and interest rate, you may be able to negotiate a lower interest rate with the dealer.

Finance companies: Vary widely in interest rates and often cater to credit risks by charging higher rates. Some are affiliated with a particular manufacturer and can have special rates as incentives for certain models.

Internet: Many Internet sites that deal with car buying also deal in financing or have links to financing alternatives.

Through www.bankrate.com and www.myfico.com, you can determine a competitive interest rate.

SLIDE 29: CONTRACT CONSIDERATIONS



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "Installment Sale Contract for Titled Vehicle and Equipment" handout to the participants and use it to discuss the information in the column to the right.

SECTION BACKGROUND INFORMATION

Dealers can make a profit from the sale of the car as well as from extra fees, options and services they add to the contract. Carefully considering which options or services you need ahead of time will help avoid unnecessary expense. If you are not prepared, the first you hear of some of the extra profit-makers may be when negotiating the contract.

Here are some other things to look for when reviewing a contract:

Federal Truth in Lending disclosures: Federal law requires these boxes to have a certain appearance and to include the annual percentage rate, total finance charge, total amount financed, total of payments and the sale price.

Physical damage insurance: This is required but can usually be obtained elsewhere more cheaply. The property liability insurance offered by some dealers is only for their protection and not yours. In the event the car is totaled, it will compensate the dealer for their loss and do nothing for you.

Mechanical repair or maintenance coverage: If you purchase an extended warranty or service contract, be sure you understand the term or mileage coverage (whichever occurs first and the deductible you are responsible for paying) as well as what is covered or excluded. This is where automotive dealers make the most money. Remember that often these are pure profit for the dealer and overpriced. If you do purchase an extended warranty for repairs or a prepaid maintenance plan for services such as oil changes, tire rotations, 30/60,000 mile checkups -- make sure you understand whether you must come to that dealership to have work completed, a third party is involved, or if you are only restricted to that particular manufacturer (Honda to Honda dealerships).

Car protection packages: Examine these aftermarket items and make sure that, if you really need them, they cannot be obtained at a lower cost elsewhere (they usually can). New cars in some cases already come out of the manufacture with these included.

Credit life or disability insurance: If you are covered by other life or disability insurance, is credit, life or disability really necessary? Being on active duty, you are covered for disability, and if you have Servicemembers' Group Life Insurance (SGLI), you have life insurance. Commercial term insurance also will provide you more coverage at a lower cost. Often it is expensive for the amount of coverage involved and protects the dealer or finance company. If you are so disabled you cannot work, are you likely to need a car?

Taxes, license, registration, title and processing fees: Try to pay as many of these up front as possible, to avoid having to pay interest on them if they are included in the financing. Be sure they are itemized so that you know which fees are truly the government fees and which are processing fees (pure profit for the dealer). Charges in this category may include sales and use taxes, title fee, registration fee and property taxes. Be on the lookout for junk fees such as delivery and handling. Although most fees are not negotiable, duplicate fees added by the dealer, such as D&H when you are already paying a destination fee, can be negotiable.

SLIDE 30: CONTRACT STRATEGIES

INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Continue to use the "Installment Sale Contract for Titled Vehicle and Equipment" handout to discuss the information in the column to the right.

SECTION BACKGROUND INFORMATION

There are some strategies to remember when you are going over your contract:

Read the fine print: Read every word on the contract, front and back, and be sure you understand what it says. Get help from Base Legal Services if you need it.

Power of the pen: If you do not understand or approve of something in the contract, line it out and initial it and have the salesperson initial it. This legally removes the item. Better yet, demand a new contract with the offending items removed.

Do not leave any blanks: Everything should be filled in and items left off should read "$0.00," "N/A," be lined out or otherwise denoted. Something simply left blank could be filled in later to your detriment.

Take to legal before signing: If you are not 100 percent sure of every word in the contract, bring it to your Base Legal Services Office for an explanation before you sign. Again, if the dealer refuses to let you take it with you before signing, walk away — this is a sure sign something is wrong. Usually base legal will allow walk-in priority to review a contract for a car purchase.

SLIDE 31: NEGOTIATE THE TRADE-IN

INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Only after all homework has been done and the purchase price and financing are negotiated should you address your trade-in with a dealer.

Trading in vs. private sale: In many instances, you can get more for your trade-in if you sell it yourself. The dealer cannot give you full retail value in most cases because they must resell the vehicle and make a profit. On the other hand, trading your car in at the dealership can make for a quick transaction and could save you some tax dollars. If you buy a new car and it costs $20,000, and you trade in a car that costs $12,000, in most states you will only pay sales tax on the difference, $8,000, rather than the full $20,000 (at 6 percent sales tax, that results in a savings of $720.)

What is a fair price? The same methods used in determining what to pay for the car you are purchasing can be used to get a fair price for your trade. Price your used car using resources like the NADA Book, Kelley Blue Book or Edmunds Used Car Guide. These resources will provide you with a price range (not a specific price) for your vehicle, from trade-in value to loan value to retail value (aka “blue book value”).

What is the dealer willing to pay? Many people choose to trade in their vehicle to avoid the hassle and delay of selling it themselves and accept some loss in the price of the exchange. The pricing guides list “trade-in” values for each model, which are reliable guidelines to determine whether the dealer is offering a fair price. Note, however, that the condition and mileage of the vehicle will affect the pricing.

What if you owe more than it’s worth? This is called being “upside-down” on your trade or having “negative equity” and often occurs in the first few years of paying for a new car. This occurs because so much depreciation takes place in the early period of ownership. If you really want to trade in such a vehicle, the deficit amount will be added to the price of the car you are purchasing. This will probably leave you even more “upside-down” in the new vehicle. When trading in a car with an “upside-down” loan, consider taking the following steps:

- If you have the means, try paying down your loan as much as possible so that you do not finance more than you absolutely have to.
- Re-examine your reasons for purchasing a car at this time. If you can wait, it might save you many “future” dollars.
- When choosing the car you will be purchasing, try to pick the least-expensive one that still meets your needs to lower your overall loan amount.
- Consider a private sale where you might get more for your vehicle.

SLIDE 32: CAR BUYING COMPLICATIONS

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Let's briefly discuss how to handle any complications that you may encounter:

- Your legal rights
- Repossession
- Complaint resolution
- Unforeseen situations

SLIDE 33: YOUR LEGAL RIGHTS

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Consumers have standard rights under federal laws, but their rights in each state vary. Once again, the best legal preparation is to research the car purchase and know what you are agreeing to before signing any contracts.

Servicemembers Civil Relief Act: Provides protection to service members regarding breach of contract and protection after entering military service. We will discuss it in the leasing section and unforeseen situations. It is highly recommended you see a base lawyer for more information.

State lemon laws: Most states have a lemon law, which enables consumers to get a new vehicle or get their money back when the vehicle cannot be repaired to conform to the standards of the warranty. This is for new cars only.

Consumer Leasing Act: A 1976 amendment to the federal Truth in Lending Act requires disclosure of the cost and terms of consumer leases and also places substantive restrictions on consumer leases.

Odometer reading: It is illegal to turn back or reset an odometer, even if a new engine is installed on the car. A statement of the odometer miles is required with every purchase. Average mileage per year in America is 15,000 miles, and the attorney general estimates that one-third of all vehicles have had its odometer tampered with. The DMV can provide you with the number of owners your vehicle has had, and this information plus the age and condition of the car can help you estimate whether the mileage is suspiciously low.

Used Car Rule Buyers Guide, "As Is" vs. implied/expressed warranty: This sticker is required by federal law to be placed in the window of all used cars sold by dealers. For your protection, an outside mechanic should inspect any used car before you buy, and any promises made by a dealer should be put in writing. Few assurances are provided by "implied" warranties, and you want everything to be "expressed." The Buyers Guide sticker states:

- If there is a warranty and what protection the dealer provides.
- If there is no warranty, the car is bought "as is" and the dealer will not be responsible for any subsequent problems.
- That any car can be subject to major problems and lists them.
- A warning against reliance on spoken promises that are not confirmed in writing.

Magnuson-Moss Warranty Act: A federal law that protects the buyer of any product that costs more than $25 and comes with an express written warranty. This law applies to any product that you buy that does not perform as it should, to include cars. This law guarantees a car buyer that certain minimum requirements of warranties must be met and provides for disclosure of warranties before purchase. A consumer may pursue legal action in any court of general jurisdiction in the United States to enforce rights under this law.

State Automobile Repair Facilities Act: Many states have enacted laws that deal specifically with businesses that repair vehicles. The rules, which vary from state to state, may deal with issues such as required disclosures on written estimates, unauthorized charges, invoices, disposition of replaced parts and unlawful acts and practices. To find out if your state has an auto repair facilities act, contact your state attorney general or use a search engine on the Internet.

SLIDE 34: REPOSSESSION

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

You will put a lot of work into the car-buying process and a lot of money into purchasing and owning the vehicle. The last thing you are thinking about at the time of purchase is repossession. Unfortunately, many Marines, due to poor planning or poor financial management end, up with a vehicle being repossessed. The conditions as well as any fees or penalties for repossession will be spelled out in the purchase/financing contract. In the short term, vehicle repossession is, at the least, inconvenient. In the long term, repossession can be costly and affect your credit score for up to seven years.

Here is an example of the costliness of having a car repossessed: Lance Cpl. Mike White purchased a vehicle for $20,000. In the purchase contract it states that if he falls 91 days or more delinquent on the loan, the lender has the right to repossess the vehicle and sell it at auction. The clause also states that Lance Cpl. White will be responsible for any expenses, legal fees and any deficiency from the sale. He made payments on the vehicle for about 10 months (paying off $3,000 of the principal balance of the loan) before falling behind three payments, invoking the repossession clause.

The lender hires Haul 'Em Off Towing to repossess and store the vehicle prior to sale. Haul 'Em Off charges $250 to recover the vehicle plus $75/day for storage fees. The vehicle remains at the storage lot for 20 days until it is sold at auction for $10,000. The lender continues to pursue Lance Cpl. White for collection, but rather than seeking to collect the missed payments, they are now seeking a lump-sum payment for the deficiency of $7,000 ($20,000-$3,000-$10,000), plus the $250 recovery fee, plus the $1,500 storage fees, plus the $250 in legal fees, plus the $250 in administrative costs, for a grand total of $9,250 for a vehicle he no longer has.

SLIDE 35: COMPLAINT RESOLUTION

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

If you experience a problem, you should follow these guidelines:

- Speak to the dealer first. In many cases, they have a reputation to protect and may be willing to quickly resolve problems at this level.
- If the dealer is part of a chain, speak next to the company regional representative, since they also have an interest in preserving the reputation of their good name.
- If the dealer is a member of a professional association like the Better Business Bureau, NADA, NIADA, local area automobile dealers association, etc., they have dispute-resolution processes to assist you.
- If these steps fail, contact your state office of consumer affairs or the state attorney general's office and the Armed Forces Disciplinary Control Board for investigation and possible prosecution.

SLIDE 36: UNFORESEEN SITUATIONS

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

As a Marine, moving around the country and around the world is an everyday part of life. However, when it comes to vehicles, there could be some complications. You should familiarize yourself with the Service Members Civil Relief Act so that you are best prepared when thinking about some of the following scenarios.

When making a Permanent Change of Station in CONUS or OCONUS, you may not be authorized to transport or store a vehicle. You may not be authorized to bring a vehicle onto the military installation. You may not legally be allowed to bring your vehicle into the country or you may not be able to take the vehicle outside the United States due to the lien holder's rules.

How will you handle this? Will you need to sell the car? Will you be able to store the car, continue making payments and maintain insurance coverage? And what if you are deployed? What will you do with the car for that time period? These are questions to ask yourself, your Transportation Management Office (and perhaps your Base Legal Services Office) well in advance, perhaps even prior to purchasing a vehicle. If you access all of the safe guards and services that are made available to service members, you will be better prepared to tackle these types of situations and make the best informed decisions for you and your family.

SLIDE 37: RESOURCES

INSTRUCTOR NOTES:

1. If you haven't already distributed the "Car Buying Resources" handout to participants, do this now. If time allows, pull up your favorite Internet resource for the participants to see.
2. Discuss the points on the slide using the information in the column to the right.

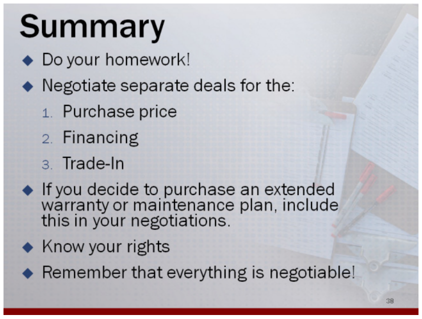
SECTION BACKGROUND INFORMATION

This class has mentioned numerous resources to help you with your next vehicle purchase. As always, your Personal Financial Management Specialist or Command Financial Specialist are there for you to consult about financial matters; and Base Legal Services is available for contractual matters.

Drop by your local library to look over Consumer Reports, Edmunds, the NADA Book or Kelley Blue Book and the many other resources available. Electronic versions of these can also be found online. There are many excellent free or nearly free resources online that can answer your questions and assist you in calculating costs associated with purchasing a vehicle. It is important to arm yourself with every resource available before you begin the car buying process.

Finally, the "Car Buying Resources" handout lists these and more.

SLIDE 38: SUMMARY



INSTRUCTOR NOTES:

1. Distribute the "Session Evaluation" handout to participants. Ask that they complete it and return it to you before they leave.
2. Recap the discussion you've had during the session.
3. Answer any remaining questions the participants may have.

SECTION BACKGROUND INFORMATION

You should now feel comfortable to successfully make an affordable car purchase. A few things to remember:

- Do your homework!
- Negotiate separate deals for the:
  1. Purchase price.
  2. Financing.
  3. Trade-in.
- If you wish to purchase an extended warranty and/or maintenance plan, be sure to include that in your negotiations.
- Know your rights.
- Remember that everything is negotiable!