


6 Tips for First-Time Car Buyers

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By Zina Kumok

June 1, 2018

Buying a car is the first major purchase for many people, particularly young adults. If you're new to the credit and financing world, pump the brakes and pull over to check out these 6 tips you should know before buying your first car.

1. Avoid a Car Lease

When you go to a car dealership, the salesman will probably show you some models that are way out of your price range. It's the nature of their job to upsell customers, so they'll try to explain why leasing rather than buying makes good financial sense.

Leasing always sounds tempting—especially since it has a lower monthly cost than buying a new vehicle—but it's generally more expensive in the long run. You still have to pay for regular maintenance on a leased vehicle, and the dealership can charge you fees if the car comes back damaged or with excess mileage.

Plus, after the lease is over, there's no asset to show for the thousands of dollars you've spent. Unless you'll only need the car for a couple years and can deduct your mileage as a business expense, buying tends to be the better option.

2. Buy Used

There's nothing better than getting into a new car—the perfect industrial smell, the pristine seats, the sparkle of a new paint job. But as soon as that new car drives off the lot, the value automatically decreases. According to Edmunds, a new car will lose 11% of its cash value once sold.

That's not all. A new car will continue to depreciate significantly for the first five years of ownership. After five years, the resale value is 37% of its initial cost, according to Edmunds.

A car that's more than five-years old will still have most of the latest tech and safety features, while also being a more frugal option than a brand-new car. To truly find the best deal, check out Kelley Blue Book's Best Resale Value Award winners, which feature cars that boast the slowest depreciation.

3. Consider Alternative Financing Options

Most grads take out an auto loan on their car, with many choosing to use the dealer's lender. In fact, some don't even realize you can find your own car loan. That's a shame, because third-party financing is almost always cheaper.

If you already have a checking or savings account at a bank, ask them about your auto loan options. After that, contact a local credit union to see if they offer lower interest rates. It's always best to

shop around with two or three different lenders before committing.

The dealership is never obligated to give you the best terms, so always assume you can find better rates elsewhere.

4. Read the Contract Carefully

Any time you buy a car, you're entering into a legal agreement with the seller. Whether you bought the car on Craigslist or at a car dealership, the agreement is binding. In most cases, there's nothing you can do once the papers are signed and the keys have been handed over.

That's why it's critical to read the sales terms before you sign. There are countless stories of salesmen including extra features in a car purchase that the buyer originally declined, like an extended warranty or tire insurance. For most grads, this will be one of the first big financial decisions they make after leaving college—so it needs to be thought out carefully.

5. Get a Car Inspected

Always get a used car inspected by a trusted mechanic before you buy. If a dealership won't let you get an impartial inspection, that's a red flag. Even if the car looks great on the outside, you never know what's going on under the hood. A thorough inspection can save you thousands of dollars and endless aggravation.

6. Negotiate the Price

Whether you're buying the car from a friend of a friend or a dealership, you need to learn how to negotiate. Negotiating can save you thousands off the total purchase, and in many cases save you from overpaying.

First, look up the car's value on Kelley Blue Book and Edmunds.com. Input its total mileage, current condition and any extra features it has, like tinted windows or a sunroof. Once you have a few estimates, subtract 10% to 20% and come back to the seller with your offer. If you're buying the car in cash, use that as leverage.

Salesmen at a private dealership often have to reach a monthly sales quota, so it's often a good idea to purchase a car when they are most willing to make a deal.

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