

4 Helpful Pointers for Buying Your Next Car

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Buying a new car is exciting and exhilarating. It can also be incredibly costly if you don't do your research in advance and confusing if you're not sure of the best way to finance it.

"You shouldn't buy more car than you need," says **Sheila Walkington**, Vancouver based, fee-only Certified Financial Planner with Money Coaches Canada.

But George Iny, consumer watchdog with the **Automotive Protection Association** says luxury cars and SUVs are breaking all sorts of sales records, so it's tough to follow Sheila's advice.

Research Before Entering the Dealership

Make sure you do your research online before you head into the dealership. Not only will you save a great deal of time narrowing down your options, it'll give you space to assess the right vehicle for you. Once you get in the store, it's not the salesperson's job to assess your needs – they'll be in full sales mode, and you'll want to be pre-armed.

Keep in mind, too, that if you're heading off shopping at the end of a very busy day or week, you're probably at risk of **decision fatigue** and more susceptible to defaulting to what a salesperson is pushing.

Old vs. New?

If you want to be in a new car, George cautions: "It's going to cost you much more, because depreciation is highest in the first years of a vehicle, whether you buy or lease. But if you're going to change often, you can lease, because the car maker is taking the risk of loss on the resale. The value's already determined."

4-Year Lease or 6-Year Car Loan?

All things equal, according to George's calculations, you should be saving about \$100 - \$150 a month with the typical lease compared to a loan.

But when it comes buying, George says, "the reality is, after the sixth or seventh year, you now have at least a year or two years with no payments." Of course, that's assuming you'll keep your car for the long term. You own the car and, if you wanted to, could now save that money because you're now car-payment free.

Plus, when you're ready for a new car, you'll have some equity from selling your old car. You wouldn't have anything if you leased. Depending on the type of car

model, and if you take good care of your car, it's possible to have it on the road for 10 years or even more with simple maintenance.

Sift Through Dealer Incentives

Each dealership has their own twist on incentives, from zero financing for 84 months to up to \$2,000 cash back.

George says that typically the math works out so that "zero-interest savings on a long-term loan is a better deal than the cash back."

But here's something you could potentially do with your savings: whatever incentive you do walk away with, you can use the extra money to top up your **RSP** or **TFSA** instead of buying more car or lowering your payment.