

# Buying New



**M**any people dream of buying a new car. For most of their lives, few people actually do. This is because new cars are expensive, devalue quickly and cost a lot to finance.

Thus, most people go through their working lives driving someone else's hand-me-down.

There are only five big groups that buy new cars: organisations, businesspeople, yuppies, middle-class families and old people.

Large organisations like phone companies buy vast fleets at heavy discounts then on-sell them to private motorists a few years later. Businesspeople such as real estate agents and plumbers buy new because they need a reliable vehicle that looks good and is also tax deductible.

In terms of private motorists: yuppies, middle-class families and old people have one thing in common: they buy new because they can afford to.

Yuppies buy new because they are on high salaries. Middle-class families buy new because they have growing families and need a safe, reliable car that can carry the whole mob.

Retired people buy new because the kids have left home, the house is finally paid off and – after a lifetime of hard work – they want a treat.

Generally when old people buy cars they are expecting the vehicle to last them for the rest of their retirement, so it makes sense to buy something new because they may get a decade or two of use out of it.

For anyone who is not in one of the above five groups, we advise buying secondhand. New cars depreciate up to 65% in a single year, they are costly to finance, and the convenience and prestige of a new car is more than made up for in the huge financial losses you are going to incur as a result of buying it.

If you really want a new car but are on a budget, one option is to buy one that's already one or two years old. That way the depreciation monster will have already taken its biggest bite. Plus you'll get the vehicle at a substantial discount, and there should be a hunk of factory warranty still remaining.

If you do decide to buy new, here are a few tips. Most of them are obvious, but many people overlook the obvious, so we'll put these tips in writing.

1) Do your homework first. Don't wander onto a car dealer's yard. These guys are sharks and they can spot a prospective sucker from a mile away. They'll offer you a test drive, they'll offer you a discount, they'll offer you a one-day-only price, they'll offer to take

your old car off your hands, they'll offer you a car to take home for the night, then get you to sign some paperwork before you go, which will turn out to be an agreement to purchase.

Older women seem to be particularly vulnerable, because they tend to see the vulture as a 'nice, helpful young man', when in reality the salesman sees her as nothing more than a piggybank.

If this sounds a bit harsh, please remember that there are some good car salespeople in the world – and most of them leave the job in disgust within a few months because of the total lack of ethics within the car sales profession.

Don't put yourself through the grief of having to deal with car salespeople. Work out what car you want to buy (or a shortlist of cars you want to buy). Then ring the dealer and arrange a test drive. Remember that they'll try and get your phone number so that they can harrass you till the end of time, so don't give it to them.

Just make a time, turn up, test drive the car and tell them you'll think about it, then leave. Don't enter into discussions with the car salespeople. Just walk away and don't go back until you've made up your mind.

2) Arrange your own finance. Banks loan money at far more attractive rates than most finance companies. Hire purchase rates are the worst of all and will probably add many thousands to the cost of your new car.



Go to your bank and try and arrange a loan. On something as expensive as a new car you'll probably have to put your house on the line, so be sure that you're going to be able to keep up the payments.

If the bank won't lend you the money, get advice from an accountant. Sometimes the banker is just in a bad mood, but often the bank won't lend you the money because they think you may have trouble paying off the debt. Don't be insulted, listen to them. Perhaps you should get a cheaper second-hand vehicle instead. Perhaps you should keep your existing car for a bit longer. Our advice: if you own a property but the bank that holds the mortgage won't lend you any further money, then you probably shouldn't be buying a new car.

Finance companies may loan you the money, but they'll sting you with a much higher interest charge and they'll probably require a guarantor, who'll have to pay up if you don't.

We don't think you should get money from a finance company, for the reasons outlined above. However, if you still want to proceed despite our advice, ring your local automobile association and ask who they recommend. Work out how much you can afford to borrow, find out the interest rate you'll be paying, and arrange the loan before you decide what car you want.

Don't leave it up to the car dealer to arrange finance. You may end up paying far more than you would have if you had arranged the finance yourself.

### **The big day**

When you've arranged your own finance and decided on the car you want to buy, ring around the dealers (including dealers in other towns if necessary) and get the best price. The theoretical retail price is just a starting point. Remember, you've arranged your own finance so you can offer cash – on your terms.

Don't give the car dealers your phone number; ask them to email, fax or post you their best price in writing, including details of all standard and optional features. Make sure that you also get details of how long the warranty period is, what it covers, and what it doesn't cover. Also ask for the cost of servicing during the guarantee period. Look over the details carefully and don't hesitate to ask for help from your accountant, automobile association or trusted friend.

Remember that car salespeople get much of their commission from selling you additional features like air conditioning or leather upholstery. If you want those things and they don't come standard, then by all means buy them. Just don't start thinking about them when you're in the office signing up for the car, because you can easily add thousands to the price without really realising what you're doing. One really nasty trick that car companies do is to advertise a car as safe, quoting a crashtest, then leave off the features that made it safe in the first place, such as passenger or side airbags. Long before you consider leather upholstery, you should check out the standard safety features of that car.

As a rule the Korean cars offer the best value for money when it comes to standard features, with Japanese second, Australian cars third and the European manufacturers a very distant fourth.

When you're happy, arrange a time to go and sign up. Often the car salesman will come to you. Have a bank cheque ready. This is important as you won't get the vehicle any other way. Also, it protects you from being harassed into buying additional options on the car.

### **And then:**

Once you own the car, don't forget to service it. This may be expensive, but if you don't get a car serviced then you won't be able to claim on the warranty if anything goes wrong.

Once a car leaves the warranty period, don't take it to the official service agents anymore, as they tend to charge an arm and a leg for what is often pretty mediocre work.

"It is unwise to be too sure of one's own wisdom. It is healthy to be reminded that the strongest might weaken and the wisest might err."

– Mohandas K. Gandh

