



Thinking About Buying a New Car?

Here are some tips.

Q: How can a dealership sell a car at a price that is close to their invoice price and still make a profit?

A: Dealerships can sell a vehicle at a low price that is close to their actual invoice price for any of a variety of reasons:

- The dealership may be receiving additional money back from the manufacturer in the form of a "holdback" (or "kickback") for selling a certain volume of cars.
- There may be a factory-to-dealer rebate for the car they are selling.
- The dealership may be making its profit from the financing of the vehicle rather than from the selling price of the vehicle.
- The dealership may be making its profit from its Service Department rather than from its Sales Department.

Because the dealership has these alternate means of making a profit, selling a vehicle at a price that is close to their invoice price is usually not a problem for them.

Q: Several auto manufacturers are offering special financing as low as 0%. What are the hidden tricks behind these great rates?

A: Believe it or not, there are usually no hidden tricks to these super-low financing rates. They truly are great deals offered by the manufacturers to help the dealers move out certain models which may be lagging in sales. Using other peoples money for no interest is a great financial strategy. There are, however, some things you should be aware of:

- Only about 20% of car buyers actually qualify for these special loans. You need a good credit score (usually 680 or higher).
- The dealership ends up making far less money on these special financing deals than they would on regular financing, so the dealership's Business Manager may try to convince you that you don't qualify for the low rate. If you know that your credit score is good, don't fall for that.
- You usually have a choice between the low financing rate and a rebate. For buyers who need the cash for their down payment, the rebate may be a better way to go.
- These special low-financing rates are sometimes only applicable to short-term auto loans (2-3 years) and do not apply to the typical five-year loans that most buyers prefer.

Q: When buying a popular new car, what kind of price negotiation can one expect on a vehicle that is so much in demand?

A: The selling price of a vehicle is determined by pure supply-and-demand. The more vehicles there are (of the make/model you want to buy), the lower the selling price will be. If there are few to be had, the price will be higher. So when you are visiting the dealerships to shop for your new car, be sure to take careful notice of the dealership's inventory.

If you see several vehicles of the same make/model sitting there on the lot, you know that you'll probably be able to buy that vehicle for a few hundred dollars over the invoice price.

However, if the vehicle you want to buy is very difficult to find and in high demand (and especially if there is a waiting list), you'll probably end up paying full price -- or even more.

Best Advice: Wait until the "buying fever" dies down. Sooner or later the inventory will increase and the prices will drop.

Q: If I am paying cash for my new car, how much of a discount should I expect?

A: Paying cash for a new car can actually be a disadvantage - and you may end up paying more for your new car than if you chose to finance it through the dealership. That's because dealerships often make more profit from the financing of the vehicle than from the actual sale of the vehicle itself. So if you take away their financing profit, then they'll want to make it up by selling the vehicle at a higher price.

Here are three strategies for buying a new car with cash:

1. **DO NOT** tell them that you'll be paying cash until after you negotiate the purchase price. Leading them to believe that you will consider financing with them may help you to negotiate a better deal.
2. Simply be honest. Tell them that you'll be paying cash and that you have your insurance and other details already arranged and all they have to do is give you a great price and you'll drive the car home right now. Always be sure to emphasize that you'll drive the car home now or today. Point out to them that this is a quick easy no-hassle sale that gives them the opportunity to move another car off their lot right now.
3. Avoid the negotiating games altogether by getting some free price quotes from dealerships in your area for the exact car or truck you want to buy. Then simply choose the lowest price or best offer and buy the vehicle outright with no games, no hassles.

Q. Last year I leased a new car and now I really can't afford the high payments. How can I terminate my lease early without losing a fortune?

A: This is one of the questions I'm asked most often. It's unfortunate that so

many consumers are in leases they can't afford. That's why I tell folks over and over: think twice before you decide to lease. Remember, car salesmen love to push leases because they're so profitable for the dealership.

Car Shopping?

More New Car Buying Tips:

- [Read the Fine Print](#)
- [Car Dealership Tactics](#)
- [Why Buy at the End of the Month?](#)
- [Best Deals of the Month](#)

Now here are the two best ways to get of your lease early:

1. Sell your car on your own:

- Call the finance company or bank that's handling your lease.
- Ask them for the "pay-off" or "buy-out" amount. This is how much it will cost you to buy the vehicle outright.
- Try to sell the car on your own to a private party with the goal of making that "pay-off" amount -- or at least getting very close to it.

2. Find someone to take over your lease:

A. Visit the Swap-a-Lease website.

B. Place an online ad to sell or trade your lease.

It's not always easy to get out of a lease, especially when you owe more than the car is actually worth. (That's a very common problem). But it can be done.