Thinking about buying a car? You may need one to commute to work or school, or for personal reasons. Here are some steps to find a car that fits your personal and monetary needs.

**Step 1: Determine your budget**
General Rule: Plan to spend no more than 15% of after-tax income on transportation, including car payment, insurance, gas & maintenance, and 10% of after-tax income on car payment. Here’s an example:

<table>
<thead>
<tr>
<th>Annual Net Income</th>
<th>$32,750</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Net Income</td>
<td>$2729.17</td>
</tr>
<tr>
<td>Budgeted Monthly car payment (10%)</td>
<td>$272.92</td>
</tr>
<tr>
<td>Budgeted Monthly Total Transportation Cost (15%)</td>
<td>$409.78</td>
</tr>
</tbody>
</table>

**Step 2: Determine what type of car you’re looking for**
Start with needs: what are you looking for in terms of size, reliability, gas mileage, etc.? This can help you determine your make, model, seating, and other parameters.
Then consider wants: Are there any features you’d prefer to have? Consider convenience, assistive devices, entertainment, comfort, appearance, resale value, etc.
Then consider cost: Compare your budget to the cost of cars that meet your needs only first. How much room do you have for extra things you want? How much are you willing to pay for them?

**Step 3: Find the right car**
There are many ways to go about finding a car, but Edmunds, CarGurus, and Kelly Blue Book are three great places to start. Use the tools on the websites to input information you determined in step two!

**New or Used?**
Consider the pros and cons of new and used cars and how they align with what you need from your car.

<table>
<thead>
<tr>
<th></th>
<th>New</th>
<th>Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>More expensive</td>
<td></td>
<td>Cheaper</td>
</tr>
<tr>
<td>Certainty regarding car history</td>
<td></td>
<td>Have the condition of the car assessed by an independent mechanic</td>
</tr>
<tr>
<td>Traditionally lose 20%-25% of value the first year</td>
<td></td>
<td>Someone else took the depreciation so better value (third party warranty)</td>
</tr>
</tbody>
</table>
Manufacturer’s warranty | No (or limited) warranty
---|---
Timing:  
- Consider last year's model  
- Consider depreciation once car leaves the lot  
- Get a vehicle history report:  
  - Number of previous owners  
  - Mileage – beware of odometer fraud  
  - Accidents, mechanical problems  
- Supply & Demand during pandemic has increased the price of used cars

Leasing vs. Buying
Consider the pros and cons of leasing and buying and how they align with what you need from your car.

<table>
<thead>
<tr>
<th>Lease</th>
<th>Buy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease is set for a fixed period (36 months)</td>
<td>Pay off car</td>
</tr>
<tr>
<td>Lower monthly payment</td>
<td>Decrease Expense</td>
</tr>
<tr>
<td>No ownership after years of payment</td>
<td>Ownership</td>
</tr>
<tr>
<td>Mileage Restrictions (10k annually)</td>
<td></td>
</tr>
<tr>
<td>Expensive Upfront Cost (over $3,000)</td>
<td></td>
</tr>
</tbody>
</table>

Leasing is an affordable way to get a new car if you need it for work (i.e., real estate, contractor), but you will be paying for and maintaining a car you will never own, there is a mileage limit and damage charges. Use "Should I Lease or Purchase an Auto?" calculator at [www.smartaboutmoney.org](http://www.smartaboutmoney.org)

Paying for your car
Sellers will likely check your credit score, so make sure you know what to expect. Visit the FWC’s page on credit to get a better idea.
If you are considering taking out a loan to pay for your vehicle, try getting pre-approved by a bank you trust to avoid variable factors at the dealership. Your bank will consider:
- Income
- Debts
- Job History
- Home address the last 5 years
- Reference (parent, neighbor, friend)
- Maybe a co-signer

At the Dealership
Avoid dealer traps:  
- Purchase based on car price not payment  
- Avoid leading questions: “How much were you thinking about spending per month?”  
- Use online pricing guides like www.Edmunds.com and www.kbb.com beforehand  
- Not the deal that fits your budget? Walk away

Know how dealerships make money:  
If the dealer tries to sell you on any of the following, say no. Ask for an itemized list of charges and ask about charges you don’t understand or are on this list.
- Gap Insurance
- Extended Warranty
- Interior Conditioner
• Documentation Fees

Buying from a private seller

Get all the information you can:
• Private sellers may be selling cars for various reasons, so getting the Carfax, maintenance records, and other information is very important
  o If you get the Vehicle Identification Number (VIN), you can get a Carfax report by yourself
• Beware of sellers trying to sell a car but withholding key information

Figure out the financials:
• If you’re getting a loan, you will need to work that out with a third-party, not the seller
• Get a pre-sale inspection by a mechanic before you purchase the car
  o If there are any issues with the car that are easily fixable, use this as a negotiation tactic

Remember
• Start off with determining your budget and considering your needs vs wants in an automobile
• Do extensive research before going to a dealership so you know what to expect
• Don’t fall in love with 1 car
• Base your decision off price, not payment
• Don’t fall for dealer traps
• Don’t be afraid to walk away

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