

Tips for Buying a Used Car

Many people cherish dreams of owning a brand-new car straight from the showroom floor. They are intoxicated by the leather seats, the glorious sound system, and all the latest electronic doodads, like backup cameras and built-in entertainment systems.

Unfortunately, while people cherish dreams of owning a brand-new car, buying a new car might not be the best financial decision. On average, a new car loses 11% of its value as soon as you purchase it. For example, if you pay \$25,000 for a car, then its worth immediately decreases to \$22,250, even before you drive it one mile (Browning, 2016). That means that your brand new car loses a large chunk of its value as soon as it leaves the lot! But there is good news for those on a budget and those who want to spend their money wisely. Often, the best solution is to buy a used, or "pre-owned," car.



Figure 1. Black Jeep. Buying a pre-owned car such as this one may be a wise decision (Chang, 2017).

What exactly is a "pre-owned" car? You may assume that all used cars were owned by individuals, but often they were fleet cars. A fleet car is "leased by a company for use by its employees, or it is used for business purposes, such as Uber or Lyft rides" (Lisiewicz, 2017, para. 6). Some fleet cars have been driven many miles (think about all the miles driven by an Uber driver), but some have very low mileage because the owner (perhaps a business executive) did not use the vehicle very often. Often, fleet car models hold their value better than other car models, because they tend to be very reliable. This makes fleet cars desirable as used cars (Upton, 2017). In many cases, you will pay more for a used car with a reputation for reliability and quality. Even so, "by doing their research upfront, buyers will have more negotiating power on any car they might want to purchase" (Wilfred, 2004, p. 42).

Used cars and reliability

Used-car buyers today can find some consolation in the fact that today's cars are much better mechanically than the cars of earlier generations. As Tara Browning (2016) notes in an article for *The Consumer Advocate*, "A car that looked great on the outside might have had terrible mechanical or electrical problems" (p. 40). In fact, cars of the 1970s and 1980s were often unreliable or even dangerous (Browning, 2016). Cars manufactured after 2000 are light-years ahead of earlier cars in terms of quality and reliability. According to Arthur Upton (2017), the quality of today's cars has significantly changed the used car market in ways that might surprise you. For example, Upton points out that some exceptionally reliable models are hard to find used because their

owners keep them longer. Their scarcity makes the cars more expensive, but the good news is that it also means that they have an intrinsically higher value.

Today's cars are easier to repair too! Those who drove an AMC Gremlin or Pacer in the late 1970s would not have expected the massive improvements that the car industry would make in coming decades. Many older cars were difficult to work on, and for that reason repairs were expensive. The cars of the 1970s had many problems with power, performance, electrical systems—you name it. Tara Browning (2016) notes in an article titled "Rating the Reliability of Used Cars" that "domestic cars and foreign cars were equally bad" (p. 40). Today's cars are designed to make it easy for mechanics to fix most problems, which are now diagnosed by hooking the car up to a computer. As Browning notes, "Cars today are not just four wheels and engine; they are sophisticated computers" (p. 40). In the old days, repairing a car required a lot of guesswork, but today, computers help mechanics pinpoint the exact problem quickly and accurately (Browning, 2016).

Know what you are buying

When you buy a used car, you should learn as much as possible about the reliability of the model you are thinking of buying. Even with improvements in engineering and manufacturing, there are some car models that consistently experience more problems than others (Moussa, 2017). There are many independent sources that evaluate categories such as reliability, safety, and features. They typically run a series of performance tests as well as survey both satisfied and dissatisfied customers (Santiago, 2016). Their findings can be surprising and very helpful. For example, among the cars

rated by experts as “the worst cars on the road” are the Dixie Duck and the Smith Tailwind. (Ordonez, n.d.).

Before buying a used car, you also should learn as much as you can about its history, because "not every car was driven gently by an experienced, cautious driver" (Francise, 2015, p. 18). Armed with the vehicle identification number (VIN), you can access a large amount of free information about the car, including ownership records, maintenance records, and repair records (Francise, 2015). Some reports also tell you whether the car has ever been involved in a flood. You can choose to purchase a detailed vehicle history report (VHR) yourself, or you can ask the owner or dealership to provide it. Many car sellers are happy to do so, because the report shows the buyer that the car is in good condition (Francise, 2015). Before I purchased my pre-owned Ford Focus two years ago, I ordered a CARFAX report on a used Toyota Prius, and I learned that it had been in a flood. I steered clear of that car and purchased the Focus instead. The CARFAX report for the Focus showed that it was owned by only one person, had low mileage, and had never been involved in an accident.

Auto expert Dar Francise (2015) notes that buyers sometimes can request that the seller of a used car pay for a vehicle history report (VHR):

Because you want to spend all your money on getting the best car you can, and not on purchasing a detailed VHR, one option is for you to ask the seller to purchase the VHR. Many sellers are willing to do so, because a good VHR is written proof that the car does not have specific problems. Of course, a VHR

cannot and will not tell you everything about a car. Perhaps it takes a while to warm up in the winter, or it tends to stall on rainy days. (p. 19)

Although you can't know everything about the car you are buying, the information included in a VHR is much better than nothing!

Know how to negotiate

When you begin to shop for a used car, it's essential to know your budget. You should know the maximum amount that you can pay, including the cost of taxes, licenses, and your registration. You can use several techniques to make sure that you don't exceed your budget. As sales expert Gary Wilfred (2004) tells us, "One highly successful technique is called 'the broken record.' No matter what the salesperson says, you just keep repeating 'I want to pay no more than \$X for this car.' By repeating yourself like a broken record, you wear the salesperson down" (p. 12). In another technique, called "signed, sealed, delivered," you agree to sign the contract as soon as the salesperson meets your price. A third technique focuses on mutual advantage. You tell the salesperson that you want a price that helps her make a reasonable profit while not exceeding your own budget (Wilfred, 2004).

According to Gary Wilfred (2004), car salespeople are motivated to sell cars because their compensation depends upon the number of cars they sell. Wilfred also mentions that many car salespeople have a "bottom line" number for each car; that is, they have an unspoken minimum price that they will accept for any car. When you know what your bottom line is, then you have a very good chance of negotiating the deal you want.



Figure 2. The pre-owned car lot. This photograph shows the pre-owned car section at a major car dealership (2015).

Today's auto dealerships sell both new cars and used cars, and they often provide warranties on the used cars. Car buyers feel more confident about buying a used car when it comes with a warranty ("Buying a Used Car from a Dealer," 2017). Many auto dealerships even offer detailed inspections of used cars that allow them to offer a warranty to the buyer ("Buying a Used Car from a Dealer," 2017).

Buying a used car is a great idea! You get better value for your money than you do when you buy a new car. With a little planning and research, you can find the car of your dreams—a car you can rely on at a price you can afford.

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