

# Getting the Best Deal on a New Vehicle



By J.R. Orenstein  
State Farm® agent  
December 2009

The purchase of a new vehicle is often based on emotions rather than an objective decision-making. To ensure that you get the best deal, here are a few simple steps you can follow.

First, you must determine your need for a new vehicle. Would a used vehicle fit your need? Advertising is often intended to entice customers into buying a new car. With the appealing ads, customers often get dreamy visions of owning a new vehicle. Before entering a car dealership, make sure you're acting on *need* rather than *want*.

After you've determined that you need a new vehicle, research the vehicle's cost and determine what price you're able to pay. It's important to know the dealer's invoice cost of the vehicle before speaking with the dealer. Information on vehicle pricing can be readily found in many printed pricing guides and web sites including, [www.consumerreports.org](http://www.consumerreports.org) and [www.kelleybluebook.com](http://www.kelleybluebook.com).

Now, you're ready to speak with the dealer. While negotiating the purchase price, it is important to keep your focus on the dealer's invoice cost and how much you're willing to pay. Dealers talk about the Manufacturer's Suggested Retail Price (MSRP), or sticker price; however, to avoid overpaying, know the dealer's invoice cost for the vehicle and negotiate up from there, allowing a fair profit for the dealer.

Avoid beginning to bargain at the sticker price and negotiating down.

Only after you and the dealer have settled on a purchase price is it time to begin shopping around for the best financing deal should you finance or pay cash; should you go for rebate, special dealer financing or finance the purchase through a bank; should you use a home equity loan for financing? When it's time for you to make a vehicle purchase, a variety of loan payment calculators are available on [statefarm.com](http://statefarm.com) to help you make educated financial decisions.

## Compare Financing Options

	Dealer Financing	Bank Financing
Annual Percentage Rate	3.9%	7.0%
Purchase Price	\$16,000	\$16,000
Down Payment	-\$1,600	-\$1,600
	\$14,400	\$14,400
Dealer Rebate Amount	\$ -0-	-\$1,000
Financed Monthly Payments (48 months)	\$14,400	\$13,400
	\$ 324.49	\$ 320.88

The above comparison assumes monthly payments on a 48-month term, \$16,000 vehicle loan with a down payment of \$1,600. One loan is 3.9% APR with no manufacturer's rebate, and the other loan is 7% with manufacturer's rebate of \$1,000. Rates may not reflect current interest rates. Example is for illustration purposes only.



JR Orenstein – [JROrenstein.com](http://JROrenstein.com)  
516-466-3276  
45 S Middle Neck Road,  
Great Neck, NY 11021-3455