



OFFICE OF
**FINANCIAL
READINESS**

Car Buying Strategies

Instructor Guide

(Updated June 2025)

Lesson: *Car Buying Strategies*

This course is expected to take approximately 60 minutes to teach. Through a series of PowerPoint slides, the learners are presented with information about successful car buying strategies. This course will cover essential steps to take before a vehicle purchase, determine affordability, payment, risks of negative equity, decide between new, pre-owned or lease, effective negotiating tips, evaluate financing options, and insurance needs.

Learning Objectives

At the conclusion of this course, learners should be able to:

- Identify the essential steps needed before making a vehicle purchase and how to make an informed purchase.
- Determine affordability, a payment that fits the spending plan, and the risks of negative equity.
- Evaluate the pros and cons of new, pre-owned, and leased vehicles.
- Be familiar with negotiation strategies to secure the best possible deal.
- Evaluate and compare various financing options for purchasing a vehicle.
- Evaluate their insurance needs when purchasing a vehicle.

Learning Activities

This lesson contains the following activities:

- Car feature preference – Ice-breaker activity to promote participation and engagement. Learners will discuss the specific car feature on their index card and why they think it's important.
- Car payment calculation challenge: An activity using the FINRED online car loan calculator

<https://finred.usalearning.gov/ToolsAndAddRes/Calculators/Auto> to determine the monthly car loan payment or

the car purchase price. Additionally, the DoD Sen\$e app also has a car payment calculator you can use.

Content Outline

1. Welcome and Introduction (5 minutes)
 - Welcome
 - Facilitator Introduction
 - Agenda
2. Essential Steps Before You Buy (10 minutes)
 - Research vehicles that meet your needs and preferences
 - Review your current financial situation
 - Check your credit and get preapproved
 - Assess your trade-in
 - Shop for your vehicle
3. Determine Affordability (10 minutes)
 - Calculate how much car you can afford
 - Determine a reasonable car payment
 - Understand risks of negative equity
4. New, Pre-owned or Lease (10 minutes)
 - Pros and cons of buying new
 - Pros and cons of buying pre-owned
 - Pros and cons of leasing a vehicle
5. Negotiation Tips (5 minutes)
 - Proven negotiating tips
6. Financing Options (10 minutes)
 - Understanding different financing options
 - Finance charges
 - Reviewing the contract
7. Insurance Considerations (5 minutes)
 - Types of insurance coverages
8. Conclusion (5 minutes)
 - Review
 - Questions

Training Materials

- *Car Buying Strategies* Instructor Guide
- *Car Buying Strategies* PowerPoint Presentation
- *Spending Plan Worksheet* Handout
- Cards for Car Feature Activity
- Optional: Car Buying Basics video series –
<https://finred.usalearning.gov/Money/CarBuyingBasics>

Using This Instructor Guide

Presenter preparation is the most important part of delivering information. Make sure to familiarize yourself with the content of the lesson so that you can effectively discuss each key point during the training session. Review the material and practice delivering the content ahead of time to feel comfortable covering the material in your own words.

To use this Instructor Guide, review its various parts and components below.

The **Discussion Points** section contains the key points you must present in the training. The information should be presented in the order provided. Use the discussion points as a lesson outline. Avoid reading it word-for-word.

An **Instructor Note** provides guidance for the instructor in presenting the discussion points. This section also includes specific instructions on using the media, activities for learners, and references to any other documents or content.



This symbol indicates a handout is associated with the content.



This symbol indicates a discussion activity is associated with the content.

Course Preparation

Being prepared for training promotes organization, projects a positive image, and reduces stress. You may wish to download the Car Buying Basics videos to your computer if you plan to play them during the course. To ensure you are prepared, review the following:

- *Car Buying Strategies* PowerPoint Presentation
- References:
 - DoD Instruction 1322.34, *Financial Readiness of Service Members*
 - DoD Instruction 1342.22, *Military Family Readiness*
- Resources:
 - The DoD Office of Financial Readiness (FINRED) – Car Buying Basics -
<https://finred.usalearning.gov/Money/CarBuyingBasics>
 - FINRED – Spending Plan Worksheet -
<https://finred.usalearning.gov/assets/downloads/FINRED-Spendingplan-TK.pdf>
 - FINRED – Sen\$e App -
<https://finred.usalearning.gov/ToolsAndAddRes/SenSe#gsc.tab=0>
 - FINRED – Major Purchases -
<https://finred.usalearning.gov/Money#Major-Purchases>
 - Federal Trade Commission -
<https://consumer.ftc.gov/articles/buying-used-car-dealer>
 - Credit reports -
<https://www.annualcreditreport.com/index.action>

Instructor Note: Ensure you are familiar with resources available in the area. Be prepared to share that information with the learners.

Personalize your lesson. Use the white space on the left side of the page to add your own notes and prompts for discussions.

You can fill it with:

- Subject matter
- Detailed/technical information
- Instructional strategies and methods
- Personal experiences
- Examples and analogies

Discussion Points



Slide 1

1. Welcome and Introduction

Instructor Note: Display slide 1 and welcome learners to the *Car Buying Strategies* lesson.

Say: Welcome to today's lesson on car buying strategies. Most Service members will purchase a new or used car during their military service. Buying a car is exciting and fun but it's also a big financial decision. Whether you are a first-time buyer or looking to upgrade your vehicle, this course will help you make informed decisions and get the best deal.

Facilitator Introduction

Introduce yourself by providing:

- Your name
- Your experience with the lesson topic, financial counseling experience, and/or professional/educational background

Gain learner attention and interest:

- Share a short story about the lesson's topic.
- Share a surprising fact about the lesson's topic.

- Ask learners to write down one thing they hope to learn from attending the training today.

Instructor Note: Read the disclaimer to the group.

Disclaimer: *The information presented in this lesson does not constitute legal, tax, investment, financial, or other advice. This lesson is intended as an informational resource to assist you in identifying or exploring resources and options for managing your personal financial situation.*



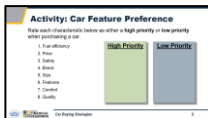
Slide 2

2. Agenda

Instructor Note: Display slide 2. Briefly introduce the lesson topics.

Say: In this lesson, we will cover the following topics:

- Essential steps to take before your vehicle purchase
- Determine affordability, your payment and negative equity risks
- New, pre-owned or lease
- Negotiating tips
- Financing options
- Insurance considerations



Slide 3



3. Activity – Car Feature Preference

Instructor Note: Display slide 3. Create a set of cards by printing and cutting out the cards on the last page of this guide. Each card has a specific car feature or characteristic (example: fuel efficiency, price, safety, brand, etc.) Distribute the cards randomly to each table/participant.

Activity: Call on each participant to discuss their respective car feature. Ask if this feature is very important or not a big deal for them. Facilitate a brief discussion on how learners rank various car features and how their priorities can impact the decision-making process.

Say: Thank you for sharing your insights and perspectives. It's clear that everyone has unique priorities when it comes to buying a car. Remember, whether it is safety, fuel efficiency, or size, the most important thing is to find a vehicle that aligns with your individual needs and preferences. Next, let's review some essential steps to take before your first test drive.



Slide 4

4. Essential Steps Before You Buy

Instructor Note: Display slide 4.

Say: Making the decision to buy a car is exciting, but it's also one that requires careful consideration and preparation. You can save yourself hundreds, if not thousands, of dollars on your next purchase by doing some homework before you step onto the lot so that you are always in control of the buying process. To make a successful purchase, there are five things you need to determine before stepping onto the lot. They are:

- **Research vehicles that meet your needs and preferences:** Start by researching different car models to determine which ones meet your lifestyle needs and preferences. Consider factors such as price, safety features, fuel efficiency, and reliability. Narrow it down to a few select vehicles to make comparison shopping easier.
- **Check your spending plan:** Determine how much you can realistically afford to spend on a car and upkeep. Remember to factor in additional costs such as insurance, maintenance, gas, and registration fees. Even if you believe you can comfortably afford to allocate a large portion of your income toward a vehicle purchase, it's important to recognize that a vehicle is a depreciating asset and typically loses value as soon as it is driven off the lot.
- **Check your credit.** Your credit reputation plays a significant role in determining the interest rate you'll qualify for when financing a car. Check your credit report before starting the car buying process and make sure it is accurate. Take steps to improve your reputation if

necessary. You can get your credit report for free weekly at <https://www.annualcreditreport.com/index.action>.

- **Get preapproved:** Getting preapproved for a loan from your financial institution will provide information on interest rates, payments, and terms. This gives you purchasing power at the dealership. You don't have to accept their offer or even apply for financing via the dealership. You are in control of the buying process!
- **Assess your trade-in:** Trading in your existing car can be a convenient and efficient way to reduce the cost of your new vehicle purchase. Before you decide to trade in your car, it's important to assess its value to determine it's worth. Online valuation tools can give you an estimate based on factors like the trade-in vehicle's age, mileage, condition, and market demand. To maximize the trade-in value, take steps to ensure it's in the best possible condition. It's important to research trade-in offers from different dealerships to find the best deal and if the deal is not agreeable, you have the option of selling your car privately or to a third-party buyer. The key here is to make an informed decision that maximizes the value of your trade-in and puts you in a better position for your car buying journey.
- **Shop for your vehicle:** Once you've completed these steps, it's time to start shopping for your new vehicle. You can shop for your vehicle in person at local dealerships and take test drives to ensure the vehicle meets your needs. You can also explore alternative buying options such as online car buying platforms, or private sellers. They may offer different pricing structures or inventory options.



Slide 5



5. Determine Affordability

Instructor Note: Display slide 5. Distribute the *Spending Plan Worksheet* Handout or direct learners to <https://finred.usalearning.gov/assets/downloads/FINRED-Spendingplan-TK.pdf> to complete this activity digitally.

Say: What factors do you think should be considered when determining how much car you can afford? How do you balance

your desire for a certain type or brand of car with your financial limitations? Determining what you can afford is a crucial step in the car buying process. It involves evaluating your financial situation and setting a realistic spending plan that aligns with your income, expenses, and financial goals. Let's look at some key factors to consider when calculating how much car you can afford:

- Evaluate your financial situation.
- Review your monthly income after taxes. This is the amount you have available to cover all your expenses, including your car payment.
- List your monthly expenses, including housing costs, utilities, groceries, insurance, and any existing debt payments like student loan or credit card payments.
- Determine how much you have left after covering your essential expenses. This will give you a clear picture of how much you can comfortably allocate to a car payment.
- Set a baseline and seek to limit transportation expenses to 15%-20% of your monthly pretax income.
- Avoid over-extending your spending plan. Stretching your spending plan to afford a more expensive car can put a strain on your finances and lead to financial stress down the road.



Slide 6



6. Activity – Car Payment Calculation Challenge

Instructor Note: Display slide 6. Explain that this is a class activity using the FINRED online car loan calculator

<https://finred.usalearning.gov/ToolsAndAddRes/Calculators/Auto>

If internet access is available, select the “Car Loan” calculator or direct learners to access the calculator on their mobile devices.

Additionally, the DoD Sen\$e app also has a car payment calculator you can use.

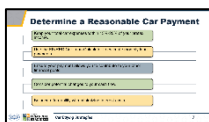
Activity: Determine the monthly car loan payment or the car purchase price. Instruct participants to choose a hypothetical



car they would like to purchase and run several calculations based on various inputs including purchase price, term, and interest rate. Consider the following scenarios. Calculations are made with no money down and do not include taxes or fees. Give learners time to run the numbers then confirm results for each scenario. Challenge learners to factor in a down payment, taxes, and fees to see how it impacts the overall cost:

- New truck: \$48,000 purchase price at 9% interest rate for six years; calculate payment and total interest paid on the loan. Payment = \$865.23; Total interest = \$14,296.17
- Pre-owned sedan: Monthly loan payment of \$800 at 7.8% interest rate for four years; calculate payment and total interest paid on the loan. Purchase price = \$32,896; Total interest = \$5,504.16
- New electric vehicle: \$39,000 at 6.5% interest rate for five years; calculate payment and total interest paid on the loan. Payment = \$763.08; Total interest paid = \$6,784.84. An electric vehicle tax credit could also reduce the total cost.
- Pre-owned sports car: Monthly loan payment of \$650 at 7% for five years; calculate purchase price and total interest paid. Purchase price = \$32,826; Total interest paid = \$6,173.59

Say: What did you learn about the impact of the purchase price, loan term and interest rate on monthly payments and total interest costs? How might this information influence your decision-making process when purchasing a vehicle? In the next section, we will cover several factors that influence your car payment.



Slide 7

7. Determine a Reasonable Car Payment

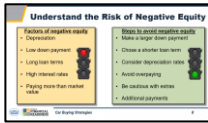
Instructor Note: Display slide 7. Play optional video, "What Do You Want Your Payments to Be?" from the Car Buying Basics series at

<https://finred.usalearning.gov/Money/CarBuyingBasics/video/NegotiatePayment>.

Say: When it comes to purchasing a vehicle, determining a reasonable car payment is essential to maintaining financial health and ensuring you can comfortably manage your monthly obligations. What is a reasonable monthly car payment? Here are some guidelines to help you answer this question.

- Consider keeping your total car expenses to within 15%-20% of your pretax income. Total car expenses include the car loan payment plus maintenance, insurance, operating expenses (e.g., fuel, oil), taxes, license, and registration. Operating expenses can sometimes total up to one-third of the monthly payment. To estimate operating costs of your new vehicle, multiply your monthly payment by .66. Adding estimated operating expenses to your monthly payment will give you a good idea of what to expect. Does it fit your current financial situation?
- Use the FINRED car loan calculator we just talked about to estimate your monthly loan payment based on different purchase prices, interest rates, and loan terms. Adjust the variables to see how changes in the down payment or loan term affect your monthly payment.
- Ensure your car payment and estimated operating expenses allow you to continue contributing to your emergency fund, retirement savings, and other financial goals. A high car payment can reduce your ability to support other goals.
- What additional events may affect your cashflow? PCS? A child? Plan for the unexpected to ensure you can comfortably keep up on your vehicle costs.
- Aim for a loan term that balances affordability with minimizing interest costs. While longer loan terms can lower your monthly payment, they can increase the total interest paid over the life of the loan.

It's important to determine a reasonable car payment that fits your financial situation, allowing you to enjoy your vehicle



Slide 8

without compromising your financial stability. Your goal is to find a balance between getting a reliable car and maintaining a healthy spending plan.

8. Understand Risks of Negative Equity

Instructor Note: Display slide 8. Play the optional video, *Trade-Ins and Negative Equity* from the Car Buying Basics series at <https://finred.usalearning.gov/Money/CarBuyingBasics/video/NegativeEquity>.

Say: Imagine buying a car and then owing more on the loan than the car is worth. How do you think that could impact your finances and future decisions? When purchasing a car, it's essential to be aware of the concept of negative equity and the financial risks it poses. Negative equity is commonly referred to as being "upside-down" on your loan. Let's review some factors that can contribute to negative equity so you can make more informed decision during the car buying process.

- **Depreciation:** Cars depreciate quickly, losing a significant portion of their value as soon as they are driven off the lot. New cars tend to depreciate faster than used cars. This depreciation can happen faster than the rate at which you pay down your loan.
- **Low down payment:** Making a small down payment, or no down payment at all, can increase the likelihood of negative equity. The less you put down, the larger your loan balance will be relative to the car's value.
- **Long loan terms:** Opting for a longer loan term, like 72 or 84 months, can result in lower monthly payments, but it also means that you will be paying off the loan more slowly.
- **High interest rates:** Loans with high interest rates mean more of your payment will go toward interest rather than your principal. This will keep your loan balance higher for longer.

- **Paying more than market value:** If the loan amount exceeds the vehicle's market value, the risk of negative equity can increase as the vehicle depreciates and you may be left owing more than its current value.

Negative equity can result in trade-in challenges. You may have to pay the difference between your car's value and the remaining loan balance. This amount is sometimes rolled into your new car loan, increasing the new loan amount and monthly payments and TOTAL cost of your purchase. Take the following steps to help avoid negative equity.

- **Make a larger down payment:** Aim to put down at least 20% of the car's purchase price. This reduces the loan amount and total cost.
- **Choose a shorter loan term:** Select the shortest loan term you can afford. Shorter terms typically come with higher monthly payments but help you pay down the principal faster and reduce the risk of negative equity.
- **Consider depreciation rates:** Research the depreciation rates of different makes and models before making a purchase. Some cars hold their value better than others.
- **Avoid overpaying:** Negotiate the purchase price and look for discounts or incentives.
- **Be cautious with extras:** Be mindful of adding too many optional features or warranties that can increase the purchase price but may not retain value, especially if these costs are included as part of your financing.
- **Additional payments:** Making extra payments can help you pay off your loan sooner and avoid negative equity. Review your contract to ensure you will not incur

payment penalties if you pay more than your monthly payment.

By understanding the risks associated with negative equity and taking proactive steps to minimize them, you can make smarter, more financially sound decisions when buying a vehicle.



Slide 9

9. Considerations for Buying New

Instructor Note: Display slide 9. Play the optional video, *New Versus Pre-owned*, from the Car Buying Basics series at <https://finred.usalearning.gov/Money/CarBuyingBasics/video/NewVsUsed>.

Say: How do you define value when it comes to buying a vehicle? Do you think a new vehicle offers better value compared to a used one? Why or why not? Would you automatically choose a new vehicle if you had an unlimited spending plan? When considering the purchase of a vehicle, deciding between a new or pre-owned is a significant decision. Each one has positive and negative aspects; there are no absolute answers. You should consider your own needs and resources when making the choice. Let's explore the pros and cons of buying a new vehicle to help you make an informed decision.

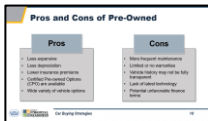
Potential pros of buying a new vehicle:

- Latest technology like new safety features, "infotainment" systems, smartphone integration, and advanced navigation
- Manufacturer warranty coverages for major repairs and maintenance for a defined period
- Low maintenance and reliable, offering peace of mind
- Attractive financing incentives like low interest rates or cashback incentives
- New cars offer a higher resale value when it's time to sell or trade in.

Potential cons of buying a new vehicle:

- The initial purchase price, taxes, and registration fees are higher.
- New cars experience rapid depreciation during the first few years of ownership.
- Insurance for new cars tends to be more expensive due to the higher replacement value and the cost of comprehensive and collision coverage.

When deciding whether to buy a new vehicle, consider your financial situation, long-term plans, and personal preferences. Evaluate the importance of the latest features, reliability, and warranty against the higher cost and depreciation so you can make a well-informed decision that aligns with your needs and spending plan.



Slide 10

10. Pros and Cons of Pre-Owned

Instructor Note: Display slide 10. Ask learners to share potential benefits and drawbacks of buying a pre-owned vehicle. Use the list below to supplement learners' responses.

Say: Has anyone bought both new and pre-owned vehicles? How did the experiences compare? What are your initial thoughts when you hear "pre-owned"? Do you see it as a positive or negative option? What are some thoughts about purchasing a pre-owned vehicle?

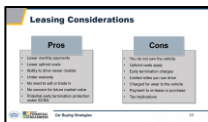
Potential benefits:

- Pre-owned vehicles are generally less expensive.
- Pre-owned vehicles have already undergone depreciation, so their value holds more steadily.
- Insurance premiums are typically lower because they cost less to repair or replace.
- Certified Pre-Owned (CPO) options are available and come with rigorous inspections and warranties, which can provide confidence in your purchase.
- The pre-owned market may offer a wide variety of models, years, and features, allowing you to find a vehicle that fits your specific needs and preferences.

Potential drawbacks:

- Older vehicles may require more frequent maintenance and repairs, which can add up over time.
- Pre-owned vehicles may have limited or no warranties, leading to out-of-pocket expenses for repairs.
- Even with vehicle history reports, the full history of a used car may not be entirely transparent.
- Older cars may lack the latest technology, safety, and fuel efficiency improvements.
- Some lenders may offer less favorable financing terms like higher interest rates or shorter loan terms.

There are many factors to consider when buying a pre-owned vehicle. While the lower purchase price and reduced depreciation can make pre-owned an attractive option, you should also be aware of higher maintenance costs, limited warranties, and possible unknown vehicle history. Balancing these factors can help you make informed decisions that align with your financial goals and personal needs.



Slide 11

11. Leasing Considerations

Instructor Note: Display slide 11. Ask learners to share the factors they keep in mind when thinking about leasing a vehicle. Use the list below to supplement learners' responses.

Say: Have you ever leased a vehicle before? When might leasing a vehicle be a better financial decision than buying one? Leasing a vehicle has become a popular option for Service members due to frequent moves. Let's delve into the considerations of leasing so you can determine if this option best suits you.

Potential pros of leasing a vehicle:

- You only pay monthly for the vehicle's depreciation during the lease term, plus rental charges such as interest, taxes, and fees.
- Lower upfront costs include a security deposit, the first month's payment, taxes, and registration fees.

- You can drive newer models with the latest technology, safety features and efficiency every few years.
- Most leased vehicles are under warranty for the lease period which can reduce repair and maintenance costs.
- Return the vehicle at the end of the lease term and avoid the hassle of selling or trading in.
- You don't have the risk of the vehicle's future market value since you are able to return the vehicle.
- The Servicemembers Civil Relief Act (SCRA) provides protections for Service members by allowing early termination of leases started before or during active-duty military service, if certain requirements are met.

Potential cons of leasing a vehicle:

- You don't own the vehicle. You get to use it but must return it at the end of the lease unless you choose to buy it.
- You have up-front costs which may include the first month's payment, a refundable security deposit, a down payment, taxes, registration, and other fees.
- You are responsible for any early termination charges if you end the lease early if you do not meet the SCRA requirements.
- Most leases limit the miles you may drive, and you may incur additional charges if you exceed those limits.
- Most leases limit wear to the vehicle during the lease term and you will likely have to pay extra if you exceed those limits.
- At the end of the lease term, you may have a new payment either to finance the purchase of the existing vehicle or to lease another vehicle.
- Leasing a vehicle may have tax implications such as state sales tax and/or personal property tax on monthly lease payments.



Slide 12

12. Negotiation Tips

Instructor Note: Display slide 12. Ask learners if they have felt overwhelmed or pressured during a car buying negotiation. What strategies did they use, if any, to stay in control? Play the

optional video, *Negotiating the Deal*, from the Car Buying Basics series at

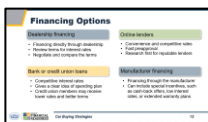
<https://finred.usalearning.gov/Money/CarBuyingBasics/video/NegotiationGame>.

Say: Most salespeople are reasonable, honest individuals. Some, however, may use techniques intended to pressure you into making a commitment you may not be ready to make. It's important to be aware of these tactics. Let's review some proven negotiation tips and techniques to confidently approach car negotiations to secure a favorable deal.

- **Do your homework:** Conduct research before stepping into a dealership. Know the fair market value of the car you are interested in, including the invoice price, potential factory incentives on new vehicle purchases, and the average selling price.
- **Secure preapproval for financing:** Get preapproved for a loan from your bank or credit union. This gives you a clear picture of how your car payment fits into your spending plan and provides a benchmark to compare with dealer financing offers.
- **Set a limit and stick to it:** Determine the maximum amount you are willing to spend on the car and any additional features. Stick to your spending plan even with faced with tempting upgrades or persuasive sales tactics.
- **Be willing to walk away:** One of the most powerful negotiation tools is the ability to walk away. Be prepared to leave if the dealer is unwilling to meet your price or terms. This tactic may prompt them to reconsider their position and make a more favorable offer.
- **Negotiate each part separately:** Break down the negotiation into parts: the price of the car, trade-in value, and financing. Deal with each component individually to avoid confusion and ensure you get the best deal on every aspect.
- **Focus on the total price, not the monthly payment:** Dealers may try to make the deal seem affordable by emphasizing low monthly payments sometimes by

extending the length of the loan, which can obscure the true cost of the car over the loan. Keep the focus on the overall price to ensure you're not paying more than necessary.

- **Be patient:** Negotiations can take time. Don't rush the process. The more patient and composed you are, the more likely you are to secure a better deal.
- **Use silence to your advantage:** After making an offer or asking a question, remain silent. Salespeople are trained to fill silence with information, which can provide valuable insights or lead to a better offer.
- **Request a detailed breakdown:** Ask for a detailed breakdown of the costs involved in the purchase. This should include car price, taxes, fees, and any additional charges. Reviewing this carefully can help you identify and challenge any unnecessary or inflated costs.
- **Get everything in writing:** Ensure that all terms, offers, and promises are documented in writing before you agree to anything. Verbal agreements are not legally binding and can lead to misunderstandings or disputes later. You can also request a copy to bring to your installation's legal services office for review before signing.
- **Timing matters:** Consider shopping for a car toward the end of the month, quarter or year when salespeople are eager to meet quotas and may be willing to offer discounts or better deals.



Slide 13

13. Financing Options

Instructor Note: Display slide 13. Ask learners to raise their hands if they have financed a vehicle through a bank. Then ask them to raise their hands for credit unions and finally to raise their hands for financing through a dealership. Play the optional video, *Five Steps to Vehicle Financing*, from the Car Buying Basics series at <https://finred.usalearning.gov/Money/CarBuyingBasics/video/5StepsFinancing>.

Say: Have you ever wondered how different car financing options could impact your monthly payments and overall costs? Understanding the different types of car financing options can make a big difference in how much you end up paying overall and empower you to make the best decision for your financial situation. Whether you choose a dealership, traditional bank or online lender, each option has its benefits and considerations. Let's explore them now.

- **Dealership financing:** You may be able to finance your car directly through the dealership; special promotions, incentives or lower interest rates could apply. However, it's essential to review the terms carefully, as dealerships might mark up the interest rates for additional profit. Always negotiate the terms and compare them with other financing options before deciding.
- **Bank or credit union loans:** These institutions often offer competitive interest rates, especially if you have a good credit score. Preapproval from a bank or credit union can also give you a clear idea of your spending plan and strengthen your negotiating power at the dealership. Credit unions may provide lower rates and better terms if you are a member and have good credit.
- **Online lenders:** Online lenders can offer convenience and competitive rates. Many online lenders can pre-approve you within minutes, allowing you to shop for a vehicle with confidence. It's important to research these lenders thoroughly and ensure they are reputable before committing to a loan.
- **Manufacturer financing:** Car manufacturers often provide financing options through their own financial services. These programs can include special incentives, such as cash back offers, low interest rates, or extended warranty plans.



Slide 14

14. Finance Charges

Instructor Note: Display slide 14.

Say: You have likely noticed how much more a car costs over the life of a loan compared to the sticker price, right? Why do you think that happens? Yes! It's because of finance charges. It costs money to borrow money.

When financing a vehicle, it's essential to understand that the amount you ultimately pay will be more than the initial purchase price. Finance charges can significantly impact the total amount you pay for your vehicle, so let's dive into the different types of interest charges you might encounter.

- **Add-on interest:** With this method, the loan interest is calculated for the length of the loan then added on to the principal. This is a more expensive type of loan because you pay the same amount of interest each payment even though the balance owed on the outstanding loan is reduced each month. There is no cost-saving benefit to paying off the loan early.
- **Simple interest:** With a simple interest loan, interest is calculated on the outstanding principal balance of the loan. Each payment you make reduces the principal, and interest is recalculated on the new, lower principal amount. This means paying more than the minimum payment can reduce your overall interest costs. Credit unions are required by federal law to charge simple interest only. This is the most common type of auto loan.
- **State usury laws:** These laws limit the amount of interest that can be charged on a loan. Do your research and understand your state's limits. Read all contracts thoroughly before signing. The federal Truth in Lending Act requires that the annual percentage rate be disclosed in the financing documents. Read the fine print. Have your installation legal office review contracts if you have questions before signing.



Slide 15

15. Reviewing the Contract

Instructor Note: Display slide 15.

Say: It's crucial to understand all the details in your car purchase contract to avoid any unexpected surprises and to ensure that you are making a sound financial decision. Contracts can be complex and filled with jargon, but taking the time to review and understand them can protect you from unfavorable terms and conditions. Here are some key components to review in the purchase contract:

- **Description:** Ensure that the vehicle's make, model, year, and vehicle identification number (VIN) are accurately listed.
- **Condition:** The contract for buying a pre-owned vehicle should state its condition, including any known defects or issues. Look for terms like "as-is," which means you accept the car **as is**.
- **Purchase price and fees:** Ensure the agreed upon price matches what you negotiated. Carefully review all additional fees including taxes, license, registration fees, and other charges like delivery and handling fees. Try to pay as many of these up front to avoid paying interest on them if they are included in the financing.
- **Trade-in information:** If you're trading in a vehicle, the contract should clearly state the trade-in value agreed upon. Verify how the payoff amount is being handled if you owe money on the trade-in and that it is accurately reflected in the contract.
- **Financing terms:** Verify the amount being financed. Ensure the interest rate is clearly stated and matches what you were quoted. Confirm the amount of your monthly payments and the total number of payments required.
- **Manufacturer's warranty:** Verify the details of any manufacturer's warranty included with the vehicle. If you

purchased an extended warranty or service contract, ensure it is detailed in the contract, including coverage terms and costs.

- **Insurance coverage:** Review any insurance requirements specified in the contract. Your lender may require specific coverage for the term of the loan. Know what is required before changing or dropping coverage; reinstating mandatory coverage can be significantly more expensive.
- **Right to cancel:** Some states have a cooling-off period that allows you to cancel the contract within a certain timeframe. Verify if this applies to your purchase and understand the conditions.
- **Additional clauses:** Understand default terms and review how disputes will be handled.

Taking time to review and understand your contract can help you avoid potential pitfalls and make a confident, informed decision. Ask the dealer to explain any part of the contract that is unclear. Take your time and don't feel rushed to sign the contract. Do not sign until you fully understand every term. Review it with your installation legal office if you have additional questions or concerns before signing. Walk away if the dealer refuses to let you take the unsigned contract with you. This could be an indication of a dealer to avoid.



Slide 16

16. Types of Insurance Coverage

Instructor Note: Display slide 16.

Say: What do you think would happen financially if you were involved in a major accident without insurance? Take a moment to think about the potential costs and consequences. Insurance is essential for protecting yourself and others on the road. Let's review the different types of insurance coverage available for vehicles:

- **Liability Insurance:** It is required by state law, and it ensures you can cover the costs of damages and injuries

you are responsible for, and it protects you from financial ruin.

- **Collision Insurance:** It covers the cost of repairing or replacing your vehicle if it is damaged in a collision with another vehicle or object, regardless of who is at fault.
- **Comprehensive Insurance:** It covers damage to your vehicle from non-collision events such as theft, vandalism, natural disasters, and falling objects.
- **Personal Injury Protection (PIP)/Medical Payments coverage:** This covers medical expenses for you and your passengers regardless of who is at fault in an accident.
- **Uninsured/Underinsured Motorist Coverage:** This covers your medical expenses and property damage if you're involved in an accident with a driver who has no insurance or insufficient coverage.
- **Gap Insurance:** It pays the difference between the actual cash value of your vehicle and the amount you owe on your car loan or lease if your vehicle is totaled or stolen.



Slide 17

17. Minimizing Insurance Costs

Instructor Note: Display slide 17.

Say: Knowing the different types of coverage and costs ahead of time enables you to include this expense into your spending plan. For many, the insurance payments can be as much or more than the car payment. Let's review some tips for minimizing your car insurance costs:

- Shop around and compare insurance quotes from multiple providers to find the best coverage at the most affordable price.
- Remember that safety features such as antilock brakes, airbags, daytime running lights and security systems can sometimes merit discounts on your insurance policy.
- A higher deductible, which may NOT be the one offered, could result in a lower premium. Make sure you have

money saved to cover the deductible if you choose this option.

- Review your policy and drop options or coverage that you no longer need on an older vehicle. Be sure to double check your loan contract requirements BEFORE dropping coverages!
- Check your credit report. Insurance companies may check your credit worthiness before issuing a new policy or renewing a current insurance policy. If you have credit problems, it can affect the cost of your insurance or even your ability to get insurance.
- Ask for discounts that you may be eligible for like low mileage, group, military, good student, etc.
- Avoid lapses in coverage.
- Be a safe driver. A poor driving record can increase premiums.
- Pay the premium up front, if possible, because there may be fees associated with an installment plan.
- If leasing, read the lease to see whether gap insurance is required. If so, shop around for the best deal, which may NOT be the one offered by the dealership or finance company. If gap insurance is required, collision and comprehensive coverage are often required as well. Insurance may be higher on a leased vehicle because you do not actually own it.



Slide 18

18. Sources of Help

Instructor Note: Display slide 18.

Say: Buying a vehicle is a big decision, but the good news is that you do not have to figure it out on your own. There are many resources available to help you in person and online including:

- **Military and family support centers:** Personal Financial Managers, Personal Financial Counselors, or Financial Readiness Program Specialists at your local military and family support center

- **Military relief organizations:** They offer crucial support and assistance to Service members and their families during times of financial hardship, emergency situations, or transition. Each branch of service has a relief society dedicated to providing support and assistance.
- **Command or unit financial specialists:** The Navy, Marine Corps, and Coast Guard may have individuals assigned to a unit or command to provide financial education or support. Reach out to your leadership for more information.



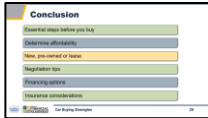
Slide 19

19. Resources

Instructor Note: Display slide 19. Familiarize yourself with the resources available at the websites listed below.

Say: Check out the tools below as you navigate the car-buying process.

- The Office of Financial Readiness (FINRED) Car Buying Basics –
<https://finred.usalearning.gov/Money/CarBuyingBasics>
- FINRED – Major Purchases –
<https://finred.usalearning.gov/Money#Major-Purchases>
- FINRED – Auto Calculators –
<https://finred.usalearning.gov/ToolsAndAddRes/Calculators/Auto>
- Sen\$e app – download today! Find out more at
[https://finred.usalearning.gov/ToolsAndAddRes/Sen\\$e#qsc.tab=0](https://finred.usalearning.gov/ToolsAndAddRes/Sen$e#qsc.tab=0)
- Federal Trade Commission –
<https://consumer.ftc.gov/articles/buying-used-car-dealer>
- Credit reports –
<https://www.annualcreditreport.com/index.action>



Slide 20

20. Conclusion

Instructor Note: Display slide 20.

Say: Navigating the car buying process can be complex, but with the right knowledge and preparation, you can make informed decisions that suit your financial situation and personal needs. By following essential steps before your purchase, determining how much car you can afford, weighing the pros and cons of new versus pre-owned versus leasing vehicles, honing your negotiation skills, understanding financing options, and considering insurance requirements, you set yourself up for a successful and satisfying car buying experience. Remember, the goal is to make a purchase that not only meets your immediate needs but also supports your long-term financial health.

Does anyone have any final questions about the information we covered today?

Thank you for your participation!

Car Feature Preference Activity

Fuel Efficiency

Price

Safety

Brand

Size

Features

Comfort

Quality

