

StocktonPeer Financial Education Program Buying a Car New or Used

Do you have a car? Do you want a new car? How does buying a car work? This handout will explain the different possibilities of purchasing a new or used car.

New vs. Used

Should you buy a new or used car? There are questions you need to ask yourself to decide.

- x Can you afford a new car? Is your income stable enough?
- x Is your credit score high enough to get a good loan?
- x Will you be very dependent on the car? Although not all used cars are faulty, you are more likely to experience problems. Be sure to read through the contract. They can be tricky.

A service contract may cover many of the same things the manufacturer's warranty covers, so there would be no need to pay for it.

The dealer is usually held accountable for the service contract, as opposed to the manufacturer.

Some parts can be covered by the warranty or contract, but not the labor involved in replacing it.

A service contract can impose maintenance responsibilities on your end and if they are not covered, the contract is void.

When presented with an offer of a service contract or extended warranty, make sure you really need it and that it's worth the extra cost for your vehicle.

Leasing vs. Buying

Whether you want to lease or buy is a question of two matters: your credit score and the max payment you can make toward a car monthly. If you cannot get a good loan for your car, you can't meet the monthly payments for the loan you get, you can lease the car. Leases are cheaper, but are much different than buying a car. You have nothing that you own at