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Wednesday, September 15, 2004

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Top 10 Car-Buying Mistakes Women Make



A WWS Exclusive Article

Unless you're [Luanne Kelly who won the WomansWallStreet Mini Cooper giveaway](#), getting a new set of wheels can intimidate even the strongest of women. So, if you're in the market for a new car and you don't know an MSRP from an APR, don't panic. We talked to Mary Butler, managing editor of Cars.com, an online resource for those who want to buy, sell, own and learn about cars, and she helped us demystify the car-buying process. Not only did she tell us the top 10 purchasing mistakes women typically make, she also shared some tips that can help you avoid being taken for a ride when buying your own set of wheels.

Mistake #1: We think we need a man to negotiate the sale -- That may be the biggest car-buying myth of all. A woman is just as capable of wheeling and dealing as a man, but women are more likely to admit they need help so they might bring their husband/significant other or a male friend along for moral support. As long as you do your homework and you're capable of sticking to your guns, you can hold your own at the bargaining table without a man to do the dirty work for you.

Mistake #2: We're afraid to walk away -- If you're not getting the car or deal you want, be prepared to hit the road. It's one of the best negotiating tactics you can have in your arsenal when you're playing let's make a deal with a car salesperson. Be ready to walk, and they'll likely change their tune to meet your needs and make the sale.

Mistake #3: We try to buy blind -- We go car-shopping without really knowing what we want. Before you set foot in the dealership, know what kind of car you want, whether you're buying new or used, what features are must-haves, how much you're willing to spend and how you're going to pay for it (i.e., buy or lease).

Mistake #4: We don't finance first -- If you're going to borrow money to buy a car, shop around for the best interest rate before going to the dealer. If you pre-qualify for a car loan the same way you would for a mortgage, you'll know up front what you can afford and you can determine whether financing or leasing is the better option for you. You don't want to be thinking about money for the first time when you walk into the dealer's Finance and Insurance [or business] office, Butler says. That's a surefire way to give the dealer the upper hand and send your negotiations into a tailspin.

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Top 10 Car-Buying Mistakes Women Make (continued)

Mistake #5: We assume the dealer has the best financing rates -- Although the dealer may be running a promotion that's hard to beat -- like zero percent financing -- to qualify you usually need outstanding credit or the loan repayment period is shorter than you can live with. Your local bank or credit union may be able to give you a lower rate.

If you're a homeowner and can tap the equity in your home, you may get a better deal by using a home equity loan to buy the car. You'll have the advantage of deducting the interest on your tax return, but make sure you can pay off the loan in a reasonable amount of time; otherwise you'll have the debt longer than the car.

The bottom line: do a little research first. At the very least you'll be armed with the necessary knowledge to enhance your negotiating power.

Mistake #6: We're fixated on monthly payments -- Resist the urge to focus on monthly payments when you're negotiating the terms of your loan. While it is important, your monthly payment doesn't tell you much about what you'll actually pay for the money you borrow. In other words, you may choose to lengthen the term of the loan up front to lower your monthly payments, but you won't really save money in the long run because you'll end up paying more interest since it'll take you longer to pay off the loan.

Also, you want to think long and hard about whether to lease or buy. Do your research before you visit the dealer. Leases, and their lower initial down payments and lower monthly payments may be tempting, but make sure you're financing the car in the best possible manner for you, not the dealer. Visit Cars.com and read Buying vs. Leasing under Financing for a complete explanation of the difference.

Mistake #7: We don't know how much the car really costs -- When you go to the dealer you'll see a price sticker on the car's window with the manufacturer's suggested retail price (MSRP). It's usually pretty high, and the dealer would love to sell you the car for that price. But that's not what the dealer paid the manufacturer for the car, and you should never pay the MSRP if you can help it. Instead, you want to know what the invoice price is, or what the dealer paid for the car, and buy the car for as close to that amount as you can. The invoice price is usually a few thousand dollars lower than the MSRP.

Here's a tip: you can easily find the car's invoice price online at popular websites for car buyers and sellers such as Cars.com (www.cars.com), the Kelley Blue Book site (www.kbb.com) and Edmunds (www.edmunds.com), or by reading a publication like *Consumer Reports*.

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Top 10 Car-Buying Mistakes Women Make (continued)

The key to getting a good deal on a car is to start negotiating at the invoice price and work your way up. If you start with the MSRP and negotiate down, chances are you'll end up paying much more.

Mistake #8: We don't understand how the dealer makes a profit -- Knowing how a dealer makes money is the key to making sure you don't get bamboozled in the buying process. And it's important to find out this information before you go to the dealer so you can approach the negotiating table intelligently.

A car dealer's main money-makers are: new vehicle transactions (provided the car sells for more than the invoice price), trade-ins (the dealer will likely buy your car for much less than the going retail price and then try to sell it at a profit), financing and insurance, after-market add-ons like fabric protectors and warranties, and vehicle service (what the dealer charges for oil changes and other routine maintenance).

Because invoice prices have become so widely available, dealers' profit margins are shrinking on new car sales. So they look to make money on the back end of the sale, and that's where the Finance and Insurance office comes in with warranties and after-market items that add extra cash to the dealer's bottom line. The dealer needs to make a buck from you somehow -- whether you trade in your old car or buy a new one or both -- and chances are you're going to lose money on some aspect of the deal if you don't know what they're up to from the beginning.

Mistake #9: We don't take our time -- Nowhere is the old adage time is money more true than when you're buying a car. No one likes to sit in a car dealership for hours while the salesperson runs back and forth to the F&I office trying to make you and the manager happy. If you're willing to invest the extra time to make the deal right, it could pay dividends when it comes to saving money on the car.

Mistake #10: We buy more car than we need -- Do you really need that souped-up coupe with the shiny aluminum alloy wheels, chrome-plated fenders and eight cup holders? When it comes to buying a car, think economically, not extravagantly, and you'll likely get the biggest bang -- and the best mileage -- for your buck.

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