

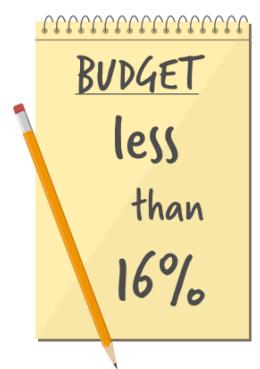
Veteran's guide: 5 questions to ask before buying a car



For many veterans, buying a car is their first major financial decision post-service. But before you start comparing the MPG and torque of your favorite models, you may want to ask yourself these questions.

1 What's your budget?

It's a good idea to figure out your budget—and therefore your price range—before you start looking at cars. Remember to factor in things like gas, insurance, maintenance and unexpected repairs, not just the cost of the car. A good rule of thumb is to spend less than 16 percent of your monthly pre-tax income on your car—but you may want to spend less than that if you have other debts. Generally speaking, the more money you can put down upfront, the lower your monthly payment will be. Once you know how much you can afford, start looking at what type of car you want.



2 Should you buy or lease?



Depending on what you are planning to use your car for and how long you plan to drive it, leasing may be something to consider. Leasing can be a more expensive overall option than buying, but it can also offer lower monthly payments and lower maintenance costs. Consider whether you might purchase the car at the end of a lease period and how many miles you plan to drive it, since leased cars may have mileage limitations and other fees.

Tip: If you already have an auto lease and are planning a move, contact your leasing company. You may be able to bring your car with you, but elements of your lease, such as your tax rate, may be subject to change.

3 Will you buy new or used?

If you decide on buying over leasing, you may be wondering whether to go with a new car or a used model. There are other financial factors at play here beyond just sticker price. The cost of a loan on a new versus old model may be different, as well as the cost of insurance. In general, it is cheaper overall to buy a used car, but there are other factors that may be more important to you—such as a car's environmental standards or safety features.

Term to know: Depreciation. A car begins to lose value the moment you drive it off of the lot. Cars lose value faster early on, then more slowly over time. That lessening of value is referred to as depreciation.

4 Will you need an auto loan?

You can get loans via auto dealers, banks and credit unions, and you may be able to get pre-approved. Consider getting more than one quote and comparing rates and terms. Be careful of looking only at the monthly payment amount—some lenders may increase the length of a loan in order to lower the monthly payments, but that generally means you'll pay more in total. The best way to lower your interest rates, and therefore your monthly payments, is to ensure you have the highest possible credit score.



Tip: While you may want to shop around to find the best terms on your loan, be careful not to officially apply at too many places over an extended period of time. Credit inquiries from lenders generally won't hurt your credit if you apply in a condensed period (about 30 days). However, multiple inquiries over an extended period could potentially harm your credit score.

5 Can you negotiate?

Negotiation is common at car dealerships. If you can, do some online research about the price of the car you want. With new cars, try to find out what the dealer pays for the car—the invoice price—and see if you can talk the sticker price down closer to that number. Many dealers also offer discounts to veterans and their families. If a dealer won't negotiate on price, you may be able to negotiate things like add-ons, future tune-ups, or transportation costs if the vehicle isn't in stock. Keep in mind, though, that some dealerships have moved away from the negotiation model, so consider researching the dealer online in advance to see whether you'll be able to negotiate.

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