



## New Car Buying Guide

MARTINSVILLE, N.J., Nov. 30, 2011 /PRNewswire/ -- Let's face it, buying a vehicle has historically been an arduous endeavor. After taking the time to research different vehicles, test driving them, and deciding on a final vehicle, the real work begins when it comes time to negotiate the final price at the dealership. Thankfully, with the amount of information available to consumers, the playing field appears more level than ever. Ken Schapiro, president of AAA Worldwide Transportation, gives some insight into the purchasing process based on his years of experience in the limousine industry.

Salespeople prey on the unprepared, so it's important for a consumer to walk into the dealership armed with information. It would be helpful to know the answers to key questions like: "What is the best estimate of the true price the dealer is paying for the vehicle?" "What sort of incentives is the dealer receiving?" "What is the dealer holdback?"

To determine the dealer's pricing and other useful information, there are several useful internet sites. On the site we feel is the best, [Zag.com](http://Zag.com), you can choose the car you're interested in and get information on MSRP, invoice price, and manufacturer incentives for dealers in your area. While the MSRP is the suggested retail price, the invoice price is better to use for negotiation purposes. Invoice is the published amount that the dealer paid the manufacturer for the car and, while there may be other charges such as dealer ad fees and regional fees, this will give you a good starting point to land a fair deal.

Once you've approximated the dealer's cost to acquire the vehicle, the next step is to look at the incentives that the manufacturer is providing the dealer. Manufacturers do not always provide incentives and they can vary in amount, but [Zag.com](http://Zag.com) will let you know what current incentives are in place. Since these incentives present the salesman with an additional source of profit, they provide another point for negotiation. Note that if [Zag.com](http://Zag.com) is used to obtain vehicle prices from dealers in your area, the quote will be from certified dealers who have agreed to price all of their in-stock vehicles relative to the invoice and pass along 100% of eligible manufacturer-to-dealer incentives. In addition to this, one of the most useful features of [Zag.com](http://Zag.com) is its TrueCar Price Report. This report shows actual recent sales data in your local area and lets you know what others actually paid for the same car.

It's important to keep in mind that while a dealership may attempt to negotiate with you by saying that it makes no money on vehicles priced at invoice without the incentive, that is simply not the case. Dealers receive a "dealer holdback" that is either a percentage of the MSRP or invoice price and is simply money paid to the dealer by the manufacturer after a car is sold. This holdback is designed to artificially elevate the dealer's paper costs and varies from dealer-to-dealer, but generally ranges from 2% - 3%. While the dealer will rarely negotiate away any of their holdback, it is important to know the facts. Details on holdbacks for various vehicles can be found on [Edmunds.com](http://Edmunds.com).

After the final price has been agreed upon and you breathe a sigh of relief, the dealer will try to sell you a litany of warranty items. These can range from extended warranties, those focused on rustproofing, or tire & wheel protection. Typically, the prices that the dealer offers these

warranties for will go ever lower as the consumer declines each package of coverage. Dealers can afford to do this because these warranties represent a large source of profit for them. In almost every case, these marked-up warranties will separate you from your money with little benefit in the end.

For example, the wheel protection package typically costs well over \$1000, but mobile repair services can come to your home or office and repair your wheel for about \$150. In the rare event that a wheel is unrepairable, the part can be purchased from a 3rd party distributor for a fraction of the cost the dealer would charge you. Another coverage best avoided is "Dent & Ding" protection. Most dents or dings can be repaired for about \$25, so paying several hundred dollars upfront for the protection just doesn't make economic sense. Finally, paint coating is yet another coverage best avoided. As a Consumer Reports study determined, the coating is little more than vastly overpriced wax. Instead, the only coverage that is worth purchasing is gap insurance, if it is not already included. Gap insurance covers the difference between what the car is worth and what you owe on the car and will come into play if the car is stolen or totaled.

It is important to remember that although the above information appears more useful for the purchase of a vehicle, it can also be quite helpful when negotiating a lease. When negotiating a lease, always try to come to an agreement on an overall sales price for the car, not a monthly payment. Dealers will often ask you what you are willing to pay a month in order to back into the maximum purchase price they can get. For example, an answer of "no more than \$400 a month" will almost always result in a monthly lease amount of \$399 if the dealer can afford that price. In reality, you would likely have gotten a lower lease payment than \$399 a month had you bargained for the car's purchase price instead of a lease payment amount.

There are also a few other things to keep in mind. First, avoid dealerships that don't post their inventory online or won't otherwise share their inventory list with you. Dealers who don't want you to know their inventory are often trying to mask which vehicles they are oversupplied with, thus limiting your ability to bargain and leaving you susceptible to the "bait & switch" tactic. Second, negotiate one thing at a time. If you're trading in a vehicle and buying a new one, negotiate those prices separately and make sure you check the Kelly Blue Book value for your used car on Kbb.com before negotiating a trade-in value. Also, make sure the car is as clean as can be and that you get a repair estimate for any repairs that have yet to be made. And finally, never be afraid to walk out if the deal isn't what it should be or something doesn't seem right. Trust your gut feeling.

While all of this information won't help you get that car of your dreams for half of the price it should be, it should allow you to get a vehicle you can afford at a fair and reasonable price.

### ***Condor Capital***

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