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Considerations for Buying Used vs. New Vehicles

While buying new is enticing, it's important to take a closer look at how much you could save over time by buying used instead. The average person owns 13 cars in a lifetime, each costing an average of \$30,000, according to a report by the National Automobile Dealers Association. If each of those cars was 3 years old, instead of new, you could save nearly \$130,000 during your lifetime.



Below are some considerations for buying used vs. new the next time you're in the market for a vehicle.

Depreciation

A new car loses 20% of its value as soon as you drive it off the lot. So a \$30,000 car will lose \$6,000 immediately. By the end of the first year, mileage and wear and tear could bring that to 30%, or \$9,000. You don't feel this big hit until much later, when you sell or trade the car.

Take a look at two similar cars, one new and one used:

New: You buy a car for \$30,000 and sell it three years later for \$15,000. The car has cost you \$15,000 in depreciation.

Used: You buy the same car, but it's 3 years old when you buy it. You could buy the car for \$15,000. Three years later you could sell it for \$10,000. So the used car depreciation cost you only \$5,000.

Used car advantages:

1) Lower insurance

When a vehicle is worth less, it costs less to buy collision and comprehensive coverage.

2) Cheaper registration

The cost of registering a used car goes down every year.

3) Better car

Saving 30% or more allows you to shop in a higher class of cars.

New car advantages:

1) Easier shopping

Evaluating the car's condition isn't a factor and there's no need to take it to a mechanic. Also, it's easier to figure out what you should pay for a new car, even if the negotiation process is still a pain.

2) More financing options

Automakers offer plenty of incentives to lure-in buyers, such as cash rebates. Also, new car loans have better interest rates.

3) Advanced technology

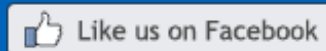
New features for comfort, performance and safety are introduced in new cars every year.

Exception to the rule:

Not all cars depreciate at the same rate. Some brands are known for holding their value exceptionally well. When you add in possible new car incentives and low interest financing, there are times when buying a new car doesn't cost much more than buying a car that's just a couple years old, so be sure to calculate the best option for you, or call or stop in and we'll be more than happy to help!

Source: www.nerdwallet.com

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