

What You Should Know When Deciding Whether to Buy a New or Used Car

A comparison study based on six years of the most cost efficient cars – new and used.



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We are constantly talking to people who are thinking about or are in the process of buying a new car. And that means making the big decision whether to buy a brand new or “new to me” car. Which is better? Does it really save you money to buy an older car? And what about financing the car? Is it really better to save cash or should you get a loan?

Recently Yahoo ran an article on the most cost efficient cars of 2012 and broke down the cost to drive each of these cars per mile over a 5-year period, including the cost of depreciation, taxes and insurance, gasoline, repairs, and maintenance. We decided to take this analysis a step further and make a comparison to see how much it would cost per mile if you were to instead purchase a 2009 model of that car. We then went even one step further to see what the difference would be if you were to buy the 2006 model.

The purpose of this research is to help you save money and be able to reach your financial goals. We want to show you how much depreciation can end up costing you so that you can make a wise decision and improve your monthly cash flow. Sure, if you buy the 2012 version you get that nice new car smell, but that’s about it. If you put in the time and effort to search for an older vehicle in good condition you can end up saving yourself thousands of dollars, money that can go towards the things that are truly important.

The Results Are In

Below are the results of our comparison study. The numbers for the 2012 models were based off this [Yahoo article](#). The 2006 and 2009 values were taken from actual cars for sale on Yahoo Autos that were the most comparable to the 2012 vehicles from the original article.

First, a note on depreciation: The value for depreciation for 2012 models was taken from a Kelley Blue Book analysis of each vehicle. We used that same depreciation number to calculate the depreciation for the 2009 and 2006 models. In some cases, the purchase price of the 2006 vehicle that we found on Yahoo Autos was lower than the expected value of the 2012 model after 5 years of depreciation. In those cases we put a \$0 in the depreciation row. This does not mean that an older vehicle will not lose value. Rather, for the sake of making a better comparison between the newer and older models we decided that using the Kelley Blue Book depreciation numbers was the best route to take.

There is also a calculation for the cost of financing each car. All of these are based on a sales tax of 3.3% and a rate of 4.1% over 36 months. Note in the numbers below that you can easily save thousands of dollars by saving up ahead of time and paying with cash instead of getting a loan for your car.

SUVs

Ford Expedition - Full-Size SUV

Year	2012	2009	2006
Mileage	0	33678	70983
Base MSRP	\$38,370	\$23,998	\$8,900
Depreciation	\$25,077	\$10,705	\$0
Repairs	\$2,106	\$2,406	\$2,706
Maintenance	\$2,505	\$2,505	\$2,505
State Fees/Taxes	\$3,369	\$3,369	\$3,369
Insurance	\$4,405	\$4,105	\$3,805
Financing	\$3,749	\$1,697	\$886
Fuel	\$16,769	\$16,769	\$16,769
Total Five-Year Cost	\$57,980	\$41,556	\$30,040
Cost Per Mile	\$0.77	\$0.55	\$0.40



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Jeep Wrangler - Mid-Size SUV

Year	2012	2009	2006
Mileage	0	40623	88328
Base MSRP	\$22,845	\$16,995	\$10,688
Depreciation	\$10,403	\$4,553	\$0
Repairs	\$2,277	\$2,577	\$2,877
Maintenance	\$1,817	\$1,817	\$1,817
State Fees/Taxes	\$2,035	\$2,035	\$2,035
Insurance	\$3,950	\$3,650	\$3,350
Financing	\$2,266	\$1,202	\$1,064
Fuel	\$14,596	\$14,596	\$14,596
Total Five-Year Cost	\$37,344	\$30,430	\$25,739
Cost Per Mile	\$0.50	\$0.41	\$0.34



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Ford Escape Hybrid - Hybrid SUV

Year	2012	2009	2006
Mileage	0	41238	93803
Base MSRP	\$31,395	\$18,995	\$9,575
Depreciation	\$21,002	\$8,602	\$0
Repairs	\$2,046	\$2,346	\$2,646
Maintenance	\$1,700	\$1,700	\$1,700
State Fees/Taxes	\$2,700	\$2,700	\$2,700
Insurance	\$3,700	\$3,400	\$3,100
Financing	\$3,005	\$1,343	\$954
Fuel	\$8,331	\$8,331	\$8,331
Total Five-Year Cost	\$42,484	\$28,422	\$19,431
Cost Per Mile	\$0.57	\$0.38	\$0.26



photo courtesy autos.yahoo.com

Hyundai Santa Fe - Crossover SUV

Year	2012	2009	2006
Mileage	0	43000	93189
Base MSRP	\$24,035	\$15,934	\$7,980
Depreciation	\$15,852	\$7,751	\$0
Repairs	\$1,948	\$2,248	\$2,548
Maintenance	\$1,975	\$1,975	\$1,975
State Fees/Taxes	\$2,098	\$2,098	\$2,098
Insurance	\$3,830	\$3,530	\$3,230
Financing	\$2,335	\$1,587	\$795
Fuel	\$11,826	\$11,826	\$11,826
Total Five-Year Cost	\$39,864	\$31,015	\$22,472
Cost Per Mile	\$0.53	\$0.41	\$0.30



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Lexus RX - Luxury Crossover SUV

Year	2012	2009	2006
Mileage	0	30399	102071
Base MSRP	\$39,950	\$24,498	\$15,993
Depreciation	\$21,748	\$6,296	\$0
Repairs	\$2,056	\$2,356	\$2,656
Maintenance	\$3,358	\$3,358	\$3,358
State Fees/Taxes	\$3,434	\$3,434	\$3,434
Insurance	\$4,405	\$4,105	\$3,805
Financing	\$3,823	\$2,440	\$1,593
Fuel	\$13,179	\$13,179	\$13,179
Total Five-Year Cost	\$52,003	\$35,168	\$28,025
Cost Per Mile	\$0.69	\$0.47	\$0.37



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Audi Q7 - Luxury SUV

Year	2012	2009	2006
Mileage	0	46489	87718
Base MSRP	\$47,125	\$30,525	\$20,990
Depreciation	\$26,795	\$10,195	\$660
Repairs	\$4,092	\$4,392	\$4,692
Maintenance	\$4,093	\$4,093	\$4,093
State Fees/Taxes	\$4,230	\$4,230	\$4,230
Insurance	\$4,440	\$4,140	\$3,840
Financing	\$4,709	\$2,159	\$2,090
Fuel	\$14,881	\$14,881	\$14,881
Total Five-Year Cost	\$63,240	\$44,090	\$34,486
Cost Per Mile	\$0.84	\$0.59	\$0.46



photo courtesy autos.yahoo.com

LUXURY CARS

Audi A5 - Luxury Car (first year of production was 2008)

Year	2012	2009	2008
Mileage	0	46726	51751
Base MSRP	\$37,975	\$30,995	\$28,999
Depreciation	\$22,784	\$15,804	\$13,808
Repairs	\$3,942	\$4,242	\$4,542
Maintenance	\$4,011	\$4,011	\$4,011
State Fees/Taxes	\$3,418	\$3,418	\$3,418
Insurance	\$5,105	\$4,805	\$4,505
Financing	\$3,805	\$3,087	\$2,888
Fuel	\$11,048	\$11,048	\$11,048
Total Five-Year Cost	\$54,113	\$46,415	\$44,220
Cost Per Mile	\$0.72	\$0.62	\$0.59



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Volvo C30 - Entry Level Luxury Car (first year of production was 2008)

Year	2012	2009	2008
Mileage	0	36248	57879
Base MSRP	\$25,575	\$17,989	\$15,788
Depreciation	\$15,870	\$8,284	\$6,083
Repairs	\$2,636	\$2,936	\$3,236
Maintenance	\$2,081	\$2,081	\$2,081
State Fees/Taxes	\$2,266	\$2,266	\$2,266
Insurance	\$4,700	\$4,400	\$4,100
Financing	\$2,523	\$1,792	\$1,572
Fuel	\$11,320	\$11,320	\$11,320
Total Five-Year Cost	\$41,396	\$33,079	\$30,658
Cost Per Mile	\$0.55	\$0.44	\$0.41



photo courtesy autos.yahoo.com

Lexus LS - High-End Luxury Car

Year	2012	2009	2006
Mileage	0	41010	94014
Base MSRP	\$68,505	\$38,894	\$19,388
Depreciation	\$45,562	\$15,951	\$0
Repairs	\$2,026	\$2,326	\$2,626
Maintenance	\$3,672	\$3,672	\$3,672
State Fees/Taxes	\$6,120	\$6,120	\$6,120
Insurance	\$7,030	\$6,730	\$6,430
Financing	\$6,812	\$3,873	\$1,931
Fuel	\$14,418	\$14,418	\$14,418
Total Five-Year Cost	\$85,640	\$53,090	\$35,197
Cost Per Mile	\$1.14	\$0.71	\$0.47



photo courtesy autos.yahoo.com

Lexus IS F - High-Performance Car (first year of production was 2008)

Year	2012	2009	2008
Mileage	0	33264	50934
Base MSRP	\$62,175	\$42,988	\$36,800
Depreciation	\$36,683	\$17,496	\$11,308
Repairs	\$2,016	\$2,316	\$2,616
Maintenance	\$4,077	\$4,077	\$4,077
State Fees/Taxes	\$5,595	\$5,595	\$5,595
Insurance	\$7,900	\$7,600	\$7,300
Financing	\$6,229	\$4,281	\$3,665
Fuel	\$14,640	\$14,640	\$14,640
Total Five-Year Cost	\$77,140	\$56,005	\$49,201
Cost Per Mile	\$1.03	\$0.75	\$0.66



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TRUCKS

Toyota Tacoma Regular Cab - Mid-Size Pickup

Year	2012	2009	2006
Mileage	0	30341	106640
Base MSRP	\$17,685	\$13,900	\$9,645
Depreciation	\$9,456	\$5,671	\$1,416
Repairs	\$1,767	\$2,067	\$2,367
Maintenance	\$2,212	\$2,212	\$2,212
State Fees/Taxes	\$1,577	\$1,577	\$1,577
Insurance	\$4,880	\$4,580	\$4,280
Financing	\$1,754	\$983	\$960
Fuel	\$11,993	\$11,993	\$11,993
Total Five-Year Cost	\$33,639	\$29,083	\$24,805
Cost Per Mile	\$0.45	\$0.39	\$0.33



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Chevrolet Silverado Regular Cab - Full-Size Pickup

Year	2012	2009	2006
Mileage	0	27538	98446
Base MSRP	\$22,940	\$13,381	\$5,990
Depreciation	\$14,082	\$4,523	\$0
Repairs	\$2,166	\$2,466	\$2,766
Maintenance	\$2,301	\$2,301	\$2,301
State Fees/Taxes	\$2,044	\$2,044	\$2,044
Insurance	\$5,200	\$4,900	\$4,600
Financing	\$2,275	\$946	\$597
Fuel	\$16,058	\$16,058	\$16,058
Total Five-Year Cost	\$44,126	\$33,238	\$28,366
Cost Per Mile	\$0.59	\$0.44	\$0.38



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CARS

Chevrolet Impala - Full-Size Car

Year	2012	2009	2006
Mileage	0	33254	95838
Base MSRP	\$26,585	\$11,895	\$6,985
Depreciation	\$19,034	\$4,344	\$0
Repairs	\$2,196	\$2,496	\$2,796
Maintenance	\$2,650	\$2,650	\$2,650
State Fees/Taxes	\$2,347	\$2,347	\$2,347
Insurance	\$5,025	\$4,725	\$4,425



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Financing	\$2,612	\$1,185	\$696
Fuel	\$12,364	\$12,364	\$12,364
Total Five-Year Cost	\$46,228	\$30,111	\$25,278
Cost Per Mile	\$0.62	\$0.40	\$0.34

Hyundai Sonata - Mid-Size Car

Year	2012	2009	2006
Mileage	0	33419	70652
Base MSRP	\$20,455	\$11,200	\$7,795
Depreciation	\$13,498	\$4,243	\$838
Repairs	\$1,828	\$2,128	\$2,428
Maintenance	\$2,166	\$2,166	\$2,166
State Fees/Taxes	\$1,814	\$1,814	\$1,814
Insurance	\$4,405	\$4,105	\$3,805
Financing	\$2,018	\$1,115	\$776
Fuel	\$9,709	\$9,709	\$9,709
Total Five-Year Cost	\$35,438	\$25,280	\$21,536
Cost Per Mile	\$0.47	\$0.34	\$0.29



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Nissan Versa - Subcompact Car (first year of production was 2007)

Year	2012	2009	2007
Mileage	0	43000	33053
Base MSRP	\$11,770	\$7,999	\$7,995
Depreciation	\$6,270	\$2,499	\$2,495
Repairs	\$1,728	\$2,028	\$2,328
Maintenance	\$2,161	\$2,161	\$2,161
State Fees/Taxes	\$1,045	\$1,045	\$1,045
Insurance	\$4,580	\$4,280	\$3,980
Financing	\$1,163	\$797	\$796
Fuel	\$8,921	\$8,921	\$8,921
Total Five-Year Cost	\$25,868	\$21,731	\$21,726
Cost Per Mile	\$0.34	\$0.29	\$0.29



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Mazda MX-5 Miata - Sports Car

Year	2012	2009	2006
Mileage	0	33796	63088
Base MSRP	\$24,265	\$16,997	\$11,379
Depreciation	\$15,276	\$8,008	\$2,390

Repairs	\$1,851	\$2,151	\$2,451
Maintenance	\$2,169	\$2,169	\$2,169
State Fees/Taxes	\$2,117	\$2,117	\$2,117
Insurance	\$4,500	\$4,300	\$3,900
Financing	\$2,355	\$1,693	\$1,133
Fuel	\$11,148	\$11,148	\$11,148
Total Five-Year Cost	\$39,416	\$31,486	\$25,308
Cost Per Mile	\$0.53	\$0.42	\$0.34



photo courtesy autos.yahoo.com

MINIVAN

Mazda 5 - Minivan

Year	2012	2009	2006
Mileage	0	51638	87823
Base MSRP	\$20,420	\$11,986	\$7,995
Depreciation	\$12,306	\$3,872	\$0
Repairs	\$1,932	\$2,232	\$2,532
Maintenance	\$2,081	\$2,081	\$2,081
State Fees/Taxes	\$1,706	\$1,706	\$1,706
Insurance	\$4,565	\$4,265	\$3,965
Financing	\$1,896	\$1,193	\$796
Fuel	\$11,470	\$11,470	\$11,470
Total Five-Year Cost	\$35,956	\$26,819	\$22,550
Cost Per Mile	\$0.48	\$0.36	\$0.30



photo courtesy autos.yahoo.com

Honda Odyssey - Minivan

Year	2012	2009	2006
Mileage	0	33018	88843
Base MSRP	\$29,035	\$22,991	\$9,900
Depreciation	\$17,551	\$11,507	\$0
Repairs	\$1,818	\$2,118	\$2,418
Maintenance	\$2,024	\$2,024	\$2,024
State Fees/Taxes	\$2,430	\$2,430	\$2,430
Insurance	\$3,475	\$3,175	\$2,875
Financing	\$2,357	\$2,290	\$986
Fuel	\$13,388	\$13,388	\$13,388
Total Five-Year Cost	\$43,043	\$36,932	\$24,121
Cost Per Mile	\$0.57	\$0.48	\$0.32



photo courtesy autos.yahoo.com

Toyota Sienna - Minivan

Year	2012	2009	2006
Mileage	0	50578	98737
Base MSRP	\$25,870	\$15,940	\$9,271
Depreciation	\$15,825	\$5,895	\$0
Repairs	\$1,737	\$2,037	\$2,337
Maintenance	\$2,290	\$2,290	\$2,290
State Fees/Taxes	\$2,190	\$2,190	\$2,190
Insurance	\$3,800	\$3,500	\$3,200
Financing	\$2,126	\$1,587	\$923
Fuel	\$13,523	\$13,523	\$13,523
Total Five-Year Cost	\$41,491	\$31,022	\$24,463
Cost Per Mile	\$0.55	\$0.41	\$0.32



photo courtesy autos.yahoo.com

You may have noted that there is a clear difference in the cost per mile of driving the newer and older models, one that makes the case for buying an older model. This is the case in spite of the fact that used car inventory is at an all-time low due to recent government incentives to make new car purchases more appealing. That lack of supply has caused the prices of used cars to rise to an all-time high. In a few years we should see this even out again as the stock of used cars increases. Then that difference in the cost of driving new and used cars will be even greater than what you see in this article.

The Cost of Depreciation

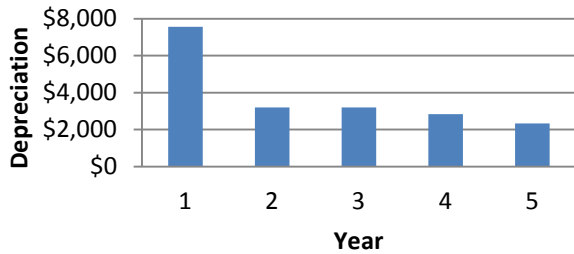
So what makes that 2009 model so much cheaper to drive than the 2012 model? It's still a good car, and you'll still get a lot of miles on it. Let's think of it this way. You buy a brand new car for \$24,000 and drive it for 5 years. At that point your car is now worth \$10,000 (and by worth, we mean that's how much you could sell it for). So you've lost or used up \$14,000 of your car's value. Let's say you put 75,000 miles on it in those 5 years. Now let's say that you sell your car to someone else. That person just spent 10,000 for a 5-year old car that they will put at least another 75,000 miles on. They spent \$4,000 less than you and will get the same use out of that car. What could you do with an extra \$4,000? Is the new car smell really worth \$4,000? And this is just one example. By reading on you will see that you could be saving \$4,000 a year *or more* on some cars just by purchasing an older vehicle.

Unfortunately, cars lose a huge percentage of their value the first couple of years after they are made. By purchasing a car that is just a few years older, after that initial big drop in value, you can save yourself a lot of money. You will still be able to drive the older car for a long time, and as you do that you are able to use the money that you are saving for the things that are most important to you (i.e. investing, saving for retirement, feeding your family, paying for a child's braces or college, etc.). When deciding which car to buy, ask yourself how it affects your ability to use the money on those important things. Is it worth giving them up just to have a newer model?

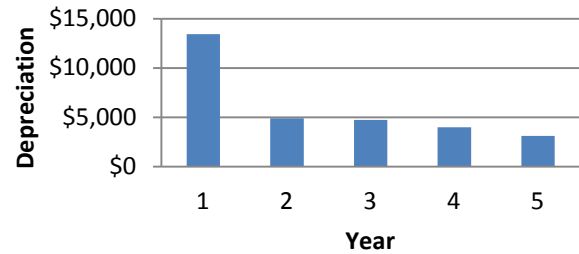
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Take a look at the following charts which show the average depreciation in the first 5 years of ownership for the same groups of vehicles. All of the numbers for depreciation by year came from the Kelley Blue Book website.

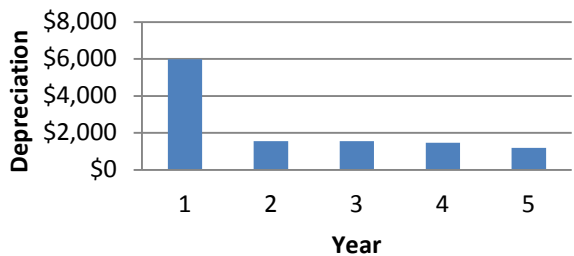
Average Depreciation of SUVs



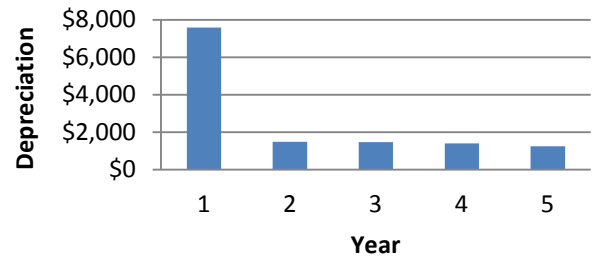
Average Depreciation of Luxury Cars



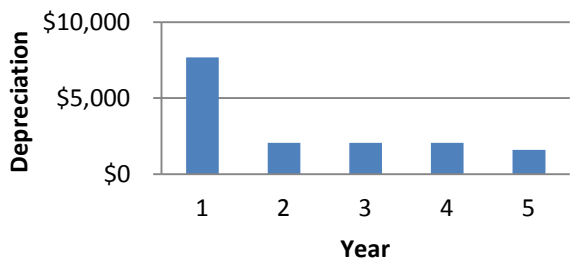
Average Depreciation of Trucks



Average Depreciation of Cars



Average Depreciation of Minivans



The very first year shows an incredible amount of value lost in each vehicle. The subsequent years show a downward trend, meaning that you are losing less value each year. There is not anything about a brand new car that makes it worth the money you will lose in the beginning, especially during that first year.

Consider Your Budget

To put this comparison in another light, we decided to calculate the amount you would save *each month and year* by purchasing the 2009 or 2006 model instead of the 2012 model. Put these numbers side by side and you can see how much money can be saving on a regular basis. We started with an average of 12,000 miles per year (that's 1,000 miles per month) to come up with the totals.

Would an extra \$50 or \$100 a month hurt your budget? What about spending an extra \$300 or \$600 a month?

With the money you save, how long would it take you to save up enough to pay for your next car with cash? And how much could you be putting into your savings and investment accounts so you can earn more interest and be able to afford the things that truly matter to you?

The charts below show the cost of driving either the 2012, 2009, or 2006 model of each car (some are 2007 or 2008 because they are relatively new in production). The yearly and monthly savings totals show how much money you would save by buying that car instead of the 2012 model.

SUVs

Ford Expedition - Full-Size SUV

Year	2012	2009	2006
Cost Per Mile	\$0.50	\$0.41	\$0.34
Cost per month	\$500	\$410	\$340
Monthly Savings	-	\$90	\$160
Yearly savings	-	\$1,080	\$1,920

Jeep Wrangler - Mid-Size SUV

Year	2012	2009	2006
Cost Per Mile	\$0.77	\$0.55	\$0.40
Cost per month	\$770	\$550	\$400
Monthly Savings	-	\$220	\$370
Yearly savings	-	\$2,640	\$4,440

Ford Escape Hybrid - Hybrid SUV

Year	2012	2009	2006
Cost Per Mile	\$0.57	0.38	0.26
Cost per month	\$570	\$380	\$260
Monthly Savings	-	\$190	\$310
Yearly savings	-	\$2,280	\$3,720

Hyundai Santa Fe - Crossover SUV

Year	2012	2009	2006
Cost Per Mile	\$0.53	\$0.41	\$0.30
Cost per month	\$530	\$410	\$300
Monthly Savings	-	\$120	\$230
Yearly savings	-	\$1,440	\$2,760

Lexus RX - Luxury Crossover SUV

Year	2012	2009	2006
Cost Per Mile	\$0.69	\$0.47	\$0.37
Cost per month	\$690	\$470	\$370
Monthly Savings	-	\$220	\$320
Yearly savings	-	\$2,640	\$3,840

Audi Q7 - Luxury SUV

Year	2012	2009	2006
Cost Per Mile	\$0.84	\$0.59	\$0.46
Cost per month	\$840	\$590	\$460
Monthly Savings	-	\$250	\$380
Yearly savings	-	\$3,000	\$4,560

LUXURY CARS

Audi A5 - Luxury Car (first year of production 2008)

Year	2012	2009	2008
Cost Per Mile	\$0.72	\$0.62	\$0.59
Cost per month	\$720	\$620	\$590
Monthly Savings	-	\$100	\$130
Yearly savings	-	\$1,200	\$1,560

Volvo C30 - Entry Level Luxury Car (first year of production 2008)

Year	2012	2009	2008
Cost Per Mile	\$0.55	\$0.44	\$0.41
Cost per month	\$550	\$440	\$410
Monthly Savings	-	\$110	\$140
Yearly savings	-	\$1,320	\$1,680

Lexus LS - High-End Luxury Car

Year	2012	2009	2006
Cost Per Mile	\$1.14	\$0.71	\$0.47
Cost per month	\$1,140	\$710	\$470
Monthly Savings	-	\$430	\$670
Yearly savings	-	\$5,160	\$8,040

Lexus IS F - High-Performance Car (first year of production 2008)

Year	2012	2009	2008
Cost Per Mile	\$1.03	\$0.75	\$0.66
Cost per month	\$1,030	\$750	\$660
Monthly Savings	-	\$280	\$370
Yearly savings	-	\$3,360	\$4,440

TRUCKS

Toyota Tacoma Regular Cab - Mid-Size Pickup

Year	2012	2009	2006
Cost Per Mile	\$0.45	\$0.39	\$0.33
Cost per month	\$450	\$390	\$330
Monthly Savings	-	\$60	\$120
Yearly savings	-	\$720	\$1,440

Chevrolet Silverado Regular Cab - Full-Size Pickup

Year	2012	2009	2006
Cost Per Mile	\$0.59	\$0.44	\$0.38
Cost per month	\$590	\$440	\$380
Monthly Savings	-	\$150	\$210
Yearly savings	-	\$1,800	\$2,520

CARS

Chevrolet Impala - Full-Size Car

Year	2012	2009	2006
Cost Per Mile	\$0.62	\$0.40	\$0.34
Cost per month	\$620	\$400	\$340
Monthly Savings	-	\$220	\$280
Yearly savings	-	\$2,640	\$3,360

Hyundai Sonata - Mid-Size Car

Year	2012	2009	2006
Cost Per Mile	\$0.47	\$0.34	\$0.29
Cost per month	\$470	\$340	\$290
Monthly Savings	-	\$130	\$180
Yearly savings	-	\$1,560	\$2,160

Nissan Versa - Subcompact Car (first year - 2007)

Year	2012	2009	2007
Cost Per Mile	\$0.34	\$0.29	\$0.29
Cost per month	\$340	\$290	\$290
Monthly Savings	-	\$50	\$50
Yearly savings	-	\$600	\$600

Mazda MX-5 Miata - Sports Car

Year	2012	2009	2006
Cost Per Mile	\$0.53	\$0.30	\$0.34
Cost per month	\$530	\$420	\$340
Monthly Savings	-	\$110	\$190
Yearly savings	-	\$1,320	\$2,280

MINIVAN

Mazda 5 - Minivan

Year	2012	2009	2006
Cost Per Mile	\$0.48	\$0.36	\$0.30
Cost per month	\$480	\$360	\$300
Monthly Savings	-	\$120	\$180
Yearly savings	-	\$1,440	\$2,160

Honda Odyssey - Minivan

Year	2012	2009	2006
Cost Per Mile	\$0.57	\$0.48	\$0.32
Cost per month	\$570	\$480	\$320
Monthly Savings	-	\$90	\$250
Yearly savings	-	\$1,080	\$3,000

Toyota Sienna - Minivan

Year	2012	2009	2006
Cost Per Mile	\$0.55	\$0.41	\$0.32
Cost per month	\$550	\$410	\$320
Monthly Savings	-	\$140	\$230
Yearly savings	-	\$1,680	\$2,760

Location and Timing Are Important Factors When Buying a Car

When you start your “new” car search, you don’t have to stick to finding a car down the street from your house. If you are able to get a great deal on a car that is out of state, you may find that you can still save a lot of money by paying to go get it. For example, Bill lives in Colorado and found a car in New York that was \$3,000 less than he could find it in-state. So he paid \$800 to have the car shipped to Colorado and ended up saving \$2,200 on his used car.

When you purchase a car, it is a good idea to pay attention to the time of the year and demand for that particular car. For example, you would not want to buy a luxury car in California because that’s what most of the people there are looking to drive, and that demand drives prices up. But if you were to look in a small town in Oklahoma, you may be able to find a great deal on a luxury vehicle. Or if you want to buy a 4WD SUV in Colorado, don’t try to buy it in the winter, especially right after the first big snow of the season. That’s when everybody is in a panic and looking for their own 4WD SUV. Wait until summer when other buyers are looking for their convertibles and smaller cars.



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One note when buying a car out of state: Make sure you are getting what you think you are paying for. A man from Colorado we talked to recently bought his SUV in Texas because he found an incredible deal online. What he didn’t realize, though, was that this car only had 2WD so when he got it home he had a difficult time driving it through the Colorado snow. Do your research on potential differences in the car’s features and what issues it may have. If you are buying a car from Florida or any other coastal state, you may want to read up or talk to some informed people about the potential of damage from salt (from the ocean’s water in the air) to the bottom of the car. Or if you are thinking of buying a car from Louisiana consider whether it may have been in the floods a few years back. You do not want to buy a car that was ever completely submerged in water! The biggest thing is to do your homework before you buy. It may take some time, but you can save a lot of money and stress in the long run.

Where to Search for Your Car

There are many good places to search for your car, including some great places online: [Yahoo Auto](#), [Autotrader](#), [craigslist](#), [CarsDirect](#), and numerous others. Take the time to do your research by checking several of these sites and comparing what you find.

You can also work with a local dealer who may be able to help you find exactly the car you want. Suppose you are looking for a car that is fairly common but want a feature like a sport rack (or the sport model of that vehicle). A local dealer may be able to get in touch with other dealers to locate that car and transport it from wherever it currently resides. If you live in the Denver metro area, a great company to go through is Automotive Avenues. Another benefit of Automotive Avenues is that they work with credit unions for financing. (The difference between banks and credit unions is a whole other article, but ask us about it if you have questions or would like to know more).

Why You Should Pay Cash Instead of Getting an Auto Loan

You may have noticed in the numbers above, the cost of financing is included. This is because a large number of people have to get a loan to pay for their new car. But if you would save up and pay cash for your next car, you could make a big impact on your monthly cash flow. You would also be able to enjoy the freedom of owning your car immediately without the burden of debt and monthly payments.

So how much could you save? If you go back to the charts above and look in the “financing” row, you will see exactly how much you could save over a 5 year period if you were to pay cash instead of getting an auto loan. Below are a few examples of how much you can realistically save when you buy a higher priced, average priced, or lower priced car based on the vehicles included in this article.

We have broken it down to show you how much you would save over 5 years of ownership and what that savings would be to you yearly and monthly. With so many people living month to month in today's economy, we know that being able to see the immediate monthly savings is useful. And being able to see the annual and 5-year figures will help you get a look into the bigger picture of how much you are saving.

LOWER PRICED VEHICLE

Mazda5 - Minivan

Model Year	2012	2009	2006
Purchase Price	\$20,420	\$11,986	\$7,995
Monthly savings	\$32	\$20	\$13
Yearly savings	\$379	\$239	\$159
5-year Savings	\$1,896	\$1,193	\$796

AVERAGE PRICED VEHICLE

Ford Escape Hybrid - SUV

Model Year	2012	2009	2006
Purchase Price	\$31,395	\$18,995	\$9,575
Monthly savings	\$50	\$22	\$16
Yearly savings	\$601	\$269	\$191
5-year Savings	\$3,005	\$1,343	\$954

HIGHER PRICED VEHICLE

Lexus LS - High-End Luxury Car

Model Year	2012	2009	2006
Purchase Price	\$24,035	\$15,934	\$7,980
Monthly savings	\$114	\$65	\$32
Yearly savings	\$1,362	\$775	\$386
5-year Savings	\$6,812	\$3,873	\$1,931

Would an extra \$32, \$50, or even \$114 make a difference to you each month? Could you use an extra \$250 or \$500 a year? That difference could mean the ability to pay down debt faster or getting to go out for a fun activity as a family to spend quality time together. Paying cash for your car can open up money in your monthly cash flow that you would otherwise have tied up in debt. When you save up for your car ahead of time you have the freedom of not only owning your car outright, but you also get to choose how to spend that money and can put it towards your top financial priorities.

How to Save Up Cash for Your Next Car Purchase

Saving up for a new, or "new," car is really not as hard as it sounds. You can start saving by first taking a good look at your budget and making some adjustments. First, do you have a budget? If you can add and subtract, then you can keep a budget. It is very important to know what money is coming in and going out of your house so you know how much you can save. And when you have a budget you are able to rank your priorities and spend more according to what is important to you. If you are saving up for a car and know that you need to make some room in your budget for saving, it might be easier to give up your daily trips to Starbucks or to take a sack lunch instead of going out every day. When you have a picture in mind of the car you want and know what you need to save, it is easier to give up things that get you off track or keep you from saving. This is not to say you have to give up *all* your rewards or Starbucks trips, but you have a better idea of where you can cut back and make changes.

It is a good idea to set goals for yourself so that the task doesn't seem so huge. Deciding to save \$10,800 in the next 3 years can sound huge. But if you instead set a goal to save \$900 in the next 90 days, you may find the task a little easier, and over 3 years with this 90-day goal continuously going, you would reach your big goal of \$10,800. When you set goals for saving up for your next car, make sure that they are realistic and achievable but challenging, and not so far out there that you will forget about them or so near that you don't have enough time to achieve them. In that light, 90 day goals can be very useful and help you reach your dream of paying cash for your next car.

Another way to think of saving up for your next car is to make payments to yourself. Each month put a "payment" in a savings account specifically for your car. This way it is as if you are making car payments without the added interest you would be giving to a dealer. If you start doing this as soon as your current car is paid off, you should be able to save up enough for your next car in plenty of time. By doing this, you are giving yourself time to save up enough and avoid thousands of dollars in interest for financing the vehicle, thousands of dollars that you can instead be putting in a fund for your *next* car or into your savings and investment accounts to help pay for things that are truly important to you.

Final Notes

So the next time you are in the market for a "new" car and wonder whether you should buy the newest of the new, take a moment to consider whether it is really worth it to you to pay all that extra money just for the new car smell and the bragging rights to say you own the latest model (which will be normal-smelling and not the newest version anymore within the next 6 months).

The best option is to search for a car that is a few years older and has already gone through most of its depreciation. You can still drive a very nice car that will last a long time, but you will be able to save a lot of money.

And if you have any questions about this, please feel free to get in touch with us. We'd be more than happy to talk you through the process and help you decide what you can afford to spend on a car and how much you should be putting into saving and investing so that you are able to reach your financial goals.