The end of the year is near — at least the end of the year as far as car manufacturers are concerned. Is it time to buy that new car? Should I buy a new car or a used one? All these questions are important to investigate, but the answers depend on you and your situation.

It’s amazing how much we spend on our automobiles. Six percent of our household budget goes to transportation or $3,200 for the average household. When you add in the $223 for the average finance charge and the $6,000 for gasoline, repairs, tires and maintenance, you are talking real money.

Today, let’s talk about how we can reduce the cost of financing that car. For most of us, the cost of the car is high enough that we have to finance it. Having an extra $30,000 to $60,000 sitting around ready to spend on a car is often out of reach. But remember, the more you have saved and the less you finance, the lower the price tag as far as the finance charges and the monthly payment.

When it comes to financing, you can finance that vehicle with the manufacturer, a credit union or a bank. Recent research done by WalletHub on finance charges gives us some general figures to think about on what the charges for the financing will cost you.

According to research from the fourth quarter of 2013, you’ll pay 15 percent less interest overall if you choose to buy a new car instead of a used car. It might be the time to consider buying new this year.

The cheapest rates often come from the car manufacturers. They want to make money on your purchase of the car as well as make more money by financing the purchase. Check rates carefully. The rates may vary depending on what car you are purchasing. I checked the current rates and found that there are real deals right now. The majority of cars can be purchased with a 2 or 3 percent interest rate, but several are offered at zero percent. As you might expect, those that are offered at zero-percent financing are those cars that are either more expensive or those that they have lots in stock. The zero rate can be a good
deal, but not if it is offered on a car that doesn’t meet your needs. You are better off to choose the car or cars that meet your needs, than choose the lowest interest rate.

Manufacturers aren’t the only option for a car loan — you can get a good rate at your bank or credit union. Be sure to check interest rates at all locations before you agree to a loan. Payments for a $25,000 car at 3 percent interest are $553 per month for four years. Reduce that to zero percent and it comes in at $520. That is only a $33 per month difference, but over 48 months it adds up to $1,584.

This is one of the places your credit rating makes a difference. People with good credit can save as much as 1 percent on the financing rate. Know what your credit score is before you start your car search.

With that new car you will have to have car insurance. This is another place where your credit report comes into play. Recent research also done by WalletHub shows as much as a 116 percent difference in rates between someone with excellent credit and the same person with no credit history. Some insurers rely more on credit scores than others, so be sure to check with several insurers before committing to one.

That new car smell is something that many of us want to have. Be sure you know all the costs before you sign on the dotted line.

Roxie Rodgers Dinstel is associate director of Cooperative Extension Service, a part of the University of Alaska Fairbanks, working in cooperation with the U.S. Department of Agriculture. Questions or column requests can be e-mailed to her at rrdinstel@alaska.edu or by calling 907-474-2426.