



Extension News Column

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Your car is the second largest investment that most of us make. Recently, we've heard a lot about the difficulties in the automotive industry, so this makes for good shopping. If you are in the market for a new car or truck now is the time to check out the options. But before you get carried away with that new car smell, take a little while to do your homework.

Remember that your car is a depreciating asset. When you drive that car off the lot, you take a hit on its value. It has moved from being a new car to a used car and your value takes a hit. That's why many people buy a fairly new used car, to miss the depreciation. But check the prices to see if used is really cheaper.

So how much is the actual depreciation? The average vehicle retains only about 35% of its value after a 5 year ownership period. A car worth \$30,000 today is worth \$10,500 which is about the time most of us pay for it. Of course, this is an average, different vehicles have different depreciation rates.

If you want to know what the actual depreciation is on a car you are looking at, check the website for Kelley Blue Book at www.kbb.com to research the specific model you are considering.

The cost of owning a car is far more complex than just the depreciation. Repairs, gasoline, and insurance are major factors in the cost. So what does help you decide if you want to buy that big gas guzzling pickup, which happens to be at a great price, or that small pickup that will zip you back and forth to work but it's not as much of a bargain?

Your needs for a vehicle are a major consideration here. But when you get your decision down to a few models, now is the time to go back to the internet. Check out www.edmunds.com for a calculator that will tell you the actual cost of driving different vehicles.

For instance, I compared true cost of ownership on the type of vehicle I drive. I priced buying a 2006 and found that it cost \$.72 per mile to drive it. Then I priced what it would cost to drive a 09 of the same model and found that the new car would cost me \$.94 per mile. This is a great website if you have narrowed the options and are considering only a few vehicles. It also takes into consideration the insurance rates on different vehicles, repairs, and the gas mileage.

Now that you have decided what vehicle is the best buy for you, go to buy it with your checkbook in hand. One of the biggest problems that has beset buyers of vehicles recently is that they are “upside down” on their car loans. They owe more on the car than it is worth. In the first quarter of 2007, 29% of owners owed more than their car was worth according to Kelly Blue Book. So when you go to buy that vehicle, pay a down payment. Many of those who are upside down on their loans have purchased those vehicles with little or no money down. A substantial down payment will keep you from having a balance on the loan should you decide to trade it in.

If now is the time to buy, make sure you’ve checked out all the options so you make the best deal you can.