

A woman with long dark hair, wearing a grey flat cap, a brown leather jacket over a yellow top, and blue jeans, is smiling and looking towards the camera. She is standing next to the open trunk of a white SUV. She is holding a blue map up to the trunk lid. The trunk contains a purple bag and a rolled-up blue mat. The background shows a rocky, wooded area.

focused on me



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**Vehicle Financing Guide**

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## Should You Lease or Finance your next Vehicle?

Choosing whether to lease or borrow to buy a vehicle depends on your priorities, how you plan to use the vehicle, and what you can afford.

**Leasing** offers low monthly payments and the ability to change cars frequently (a new car every 3 years). The major difference is that when you lease a vehicle, you do not own the vehicle, the leasing company does. Yet you are responsible for all maintenance and repairs during the term of your lease. You should also be aware of the conditions that can come with a lease, like penalties for excess wear and tear, and mileage limits. There are also penalties associated with breaking a lease before the end of a term. Understanding all the terms and conditions will be important to considering which is the right approach.

**Financing** your next vehicle purchase may be more practical and less expensive in the long term. Amortization periods and loan terms can be adjusted to make monthly payments manageable within your personal budget. Be sure to talk with a credit union, and we'll help you compare both options against your priorities, to determine the best solution for your financial situation.

### Tips:

There are a few questions that you need to ask yourself now, before you decide whether leasing or borrowing to buy a vehicle is right for you.

Consider:

- o Am I financially stable for the foreseeable future?
  - Am I in a stable career?
  - Am I at risk for layoffs, strikes, or relocation?
- o Am I ready to take on the responsibility of all the costs involved in vehicle ownership, including loan/lease payments, repairs, and maintenance?
  - Don't forget about other costs involved with purchasing or leasing a vehicle like the down payment, insurance payment, and fuel costs.



## Cost of Buying a Vehicle

When considering buying a new vehicle, it is important to consider all the costs associated with the purchase that will impact your personal budget. There is more than a purchase price to consider when determining affordability. Use this quick reference to guide you when considering what monthly payments you can afford, taking into account other monthly and ongoing costs.

### Cost of vehicle:

- Purchase price
- Additional dealership fees

### Upfront costs:

- Down payment
- Vehicle insurance
- Loan protection insurance (recommended)

### Ongoing costs:

- Loan payment (including optional loan protection insurance)
- Vehicle insurance payment
- Fuel charges
- Vehicle servicing and maintenance
- Winter tires or new seasonal tires

## What You Need to Know about Vehicle Financing

### Why 0% Financing May Not Be the Best Value

If you're considering a 0% financing offer from a dealership, you should know that this offer is not always the best option. To offer a 0% financing option, the dealer is required to sell at the manufacturer's suggested retail price (MSRP). By discussing your options with a credit union, you could be approved with an affordable financing offer that will allow you to negotiate a purchase price with the dealer that is lower than the MSRP. Check out the Vehicle Buying Tips article for advice when negotiating a purchase price for your new vehicle.

### Be Aware of the Threat of an Upside Down Loan

A new vehicle depreciates as soon as you put the keys in the ignition, losing up to 30% of its value within the first year of ownership. Beware of any financing options which result in an upside down loan (also known as negative equity), whereby you owe more than the asset is worth at the end of your financing term. The length of time you plan to keep your new vehicle may determine whether buying new, used, or leasing makes the most sense for your budget and lifestyle.

### Buying New Could Be More Affordable for You

Typically, you could get a lower rate when applying for a new car loan vs. a used car loan. This is due to the fact that a new car is valued higher as collateral against possible default on a loan. It may be more affordable than you realize to purchase a new vehicle instead of a used vehicle. Discuss your options with a credit union to see what's in your financial best interest.

## Fixed or Variable Interest Rate - What's Right for Me?

- **Fixed Interest Rate Loan Features & Benefits**

- Your interest rate is locked in for the term of the loan, and will not fluctuate.
- A fixed payment amount means you'll know how much interest will be paid over the term.
- Terms available up to 5 years.
- Amortization available up to 7 years.

- **Variable Interest Rate Loan Features & Benefits**

- Your interest rates change with market conditions.
- If interest rates fall, more of your payment will go toward the principal of your loan, so you can pay off your loan faster.
- If interest rates rise, more of your payments will go toward interest on your loan, so it may take you longer to pay off your loan.
- Amortization available up to 7 years.

## What's the Difference between a Term and Amortization?

**Amortization** refers to the length of time you choose to pay off your loan. For example, if you choose an 8-year amortization period, you will have fully paid off your loan after 8 years.

**Term** refers to the period of time until your loan becomes due and payable, or must be renewed. Terms range from 1 year to 5 years. The rationale for having shorter terms is for the benefit of both the borrower and the lender. If you expect interest rates to fall, shorter terms may be a benefit.

## How Much Interest Will I Pay?

The amount of interest you pay over the life of your loan will depend on the interest rate, term, payment schedule, and amortization period chosen.

## What Payment Schedule Options Do I Have?

Payments can be made weekly, bi-weekly, or monthly. Because interest is compounded each payment period, weekly or even bi-weekly payment schedules can result in a savings on total interest paid.

## Can I Make Payments Anytime Without Penalties?

Absolutely. There is no penalty for extra payments or early repayment. Members can make extra payments any time, in any amount, and as often as they want.

# Tip:

The more you can afford for the down payment the greater your interest savings will be over the life of your vehicle loan.



# Pre-approval

Can Put You in the Driver's Seat Sooner

Knowing how much you can afford to spend is the first step toward making the purchase of a new vehicle a stress-free and enjoyable experience.

With a pre-approved loan and an understanding of what you can afford, you are now in a better negotiating position when shopping for your new car. You can relax and enjoy the experience, knowing that you don't have to wait for financing approval, and that you can make a deal as soon as you're ready to get in the driver's seat of your new vehicle.

## What Should You Bring to a Meeting for a Vehicle Loan Pre-approval?

- Personal information
- Employment verification
- Asset and liability information

## Ready to Sign a Financing Offer? Here's What You Need After You Have a Pre-approval:

- Description of the vehicle
- Insurance confirmation

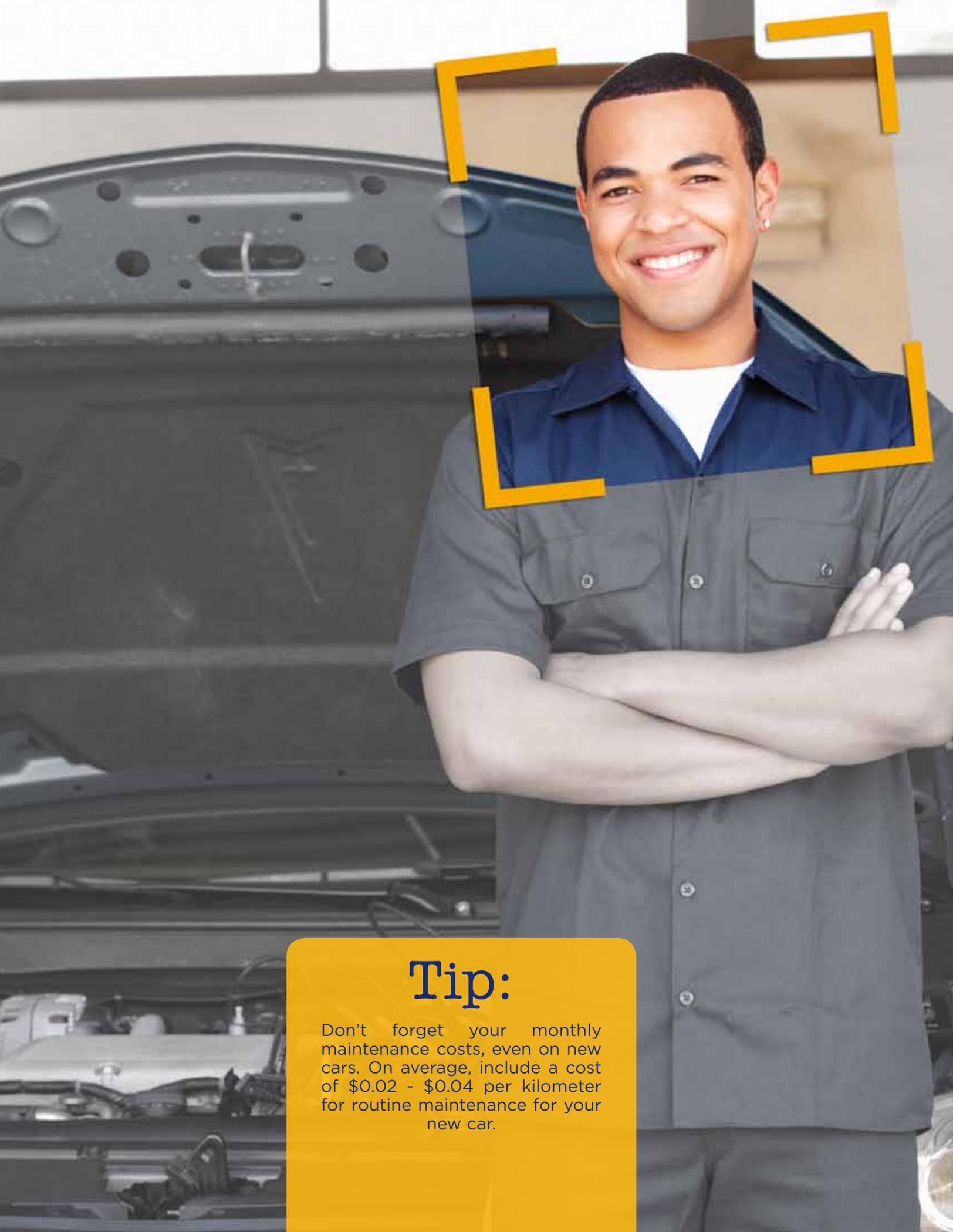
## 7 Reasons to Get a Pre-Approved Vehicle Loan First

1. Make certain you're picking a car you can afford.
2. Be in control over the vehicle purchase process at the lot
3. Maximize your negotiating power with the seller or dealer
4. Address any financing concerns up front
5. No surprises or hidden charges
6. Cash in on incentives and special offers at the dealer
7. Eliminate confusing contracts and high pressure financing tactics



## Tip:

Use an Auto Loan Calculator to help you determine your vehicle loan payment. Look at how different loan terms, payment schedules, or down payments can impact your loan payment.



## Tip:

Don't forget your monthly maintenance costs, even on new cars. On average, include a cost of \$0.02 - \$0.04 per kilometer for routine maintenance for your new car.

# Tips to Help You Choose the Right Vehicle

First you should understand your goals. What about your next vehicle is important to you? By prioritizing and evaluating what you will be using the vehicle for and what features are most important to you, you'll be better able to narrow down which vehicle is right for you.

## How Will You Be Using the Next Vehicle?

- Required for work (sales travel, trade work, etc.) or as a second car?
- Daily driving or weekend driving?
- Frequent long trips or short trips?
- Frequent city, highway, or rugged terrain driving?
- How many passengers on most occasions?
- Travelling with children or pets?
- Do you need extra storage capacity?
- Will you be traveling with sports equipment?

## What Features Are Important to You in your Next Vehicle?

- Cruise control
- Hybrid
- Air conditioning
- Power seats, windows, & locks
- Sunroof
- Heated seats
- Bluetooth
- GPS

## Get a Pre-approved Vehicle Loan Before You Shop.

Based on the use, features, and vehicle type that meet your priorities, you can determine the range of financing you will need to purchase the vehicle. Discuss your options with a credit union

and get a pre-approved vehicle loan before you start shopping, so you will know exactly what you can afford and better negotiating power when negotiating a purchase price.

## Looking for a Non-traditional Vehicle?

Looking for another type of vehicle, perhaps a boat, RV, ATV or trailer? No problem! The same rules apply, and a credit union will be there every step of the way to help you walk away confident to begin your shopping experience.

## What Type of Vehicle Meets Your Needs Based on the Use and Features You Are Looking For?

Vehicle Type	Description
Microcar	Microcars are the smallest automobile on the market and are best suited for city driving and light loads.
Sub-compact car	Sub-compact cars are best suited for short distances and lighter loads.
Compact car	Compact cars are economical multipurpose vehicles.
Mid-size car	Mid-size cars are generally more expensive to purchase and maintain than lower class categories.
Full-size car	Full-size cars are great for long distances, typically have more powerful engines, and are built for comfort.
Sports car	Sports cars offer performance, luxury, and status.
Luxury car	Luxury vehicles offer status and are generally the most expensive to purchase and maintain.
Minivan	Minivans are ideal for large families looking for safety and convenience.
SUV (compact, mid, or full-size)	SUVs offer the best performance for rural or off-road conditions. Lifestyle generally dictates the level of performance required, and therefore would determine whether a compact, mid- or full-size SUV is appropriate.
Pickup truck (mini, mid, full, or heavy duty size)	Pickup trucks are best suited for those who require hauling capacity. The type of materials to be hauled, distances travelled, and frequency of use would determine whether a mini, mid, full or heavy duty size pickup truck is appropriate.

# Negotiate a Better Price

## for Your New Vehicle

If you're considering a new purchase, we have some tips and advice on how to get the best value out of your purchase. It's simply a better approach, and we're here to walk you through the process each step of the way.

### Determining Affordability:

- Get insurance quotes for the make and models you are interested in purchasing, to assess ongoing affordability.
- Consider how large the fuel tank is to estimate what it will cost to fill up. Depending on how you plan to use the vehicle, this could be a significant ongoing cost that you need to understand when considering ongoing affordability.
- Get a pre-approval for a vehicle loan so you know how much you can spend.

### Do Your Research:

- Become familiar with the manufacturer's suggested retail price (MSRP) for the make and models that interest you, and investigate whether there are any available rebates or incentives being offered.
- Visit multiple dealerships and obtain written quotes with only the added features you want.
- Ask about vehicle warranties, rust proofing, rebates, incentives, etc.

### Understand the Added Costs of Purchasing a Vehicle:

- ALWAYS review the invoice and be sure all charges are fully understood.
- Some charges can be removed or negotiated down, like: Additional Dealer Markup, Ad Fees (sometimes written as an acronym), and Dealer Prep (most times this is included in MSRP).
- If your province requires an MVI, make sure the vehicle is inspected from the date (or more likely the month) of your purchase.

### How Can You Be Confident You're Getting the Best Deal?

CarCostCanada is an online website which sells memberships to the general public. The membership allows you to see the actual manufacturer's invoice amount of any vehicle make and model, which gives the buyer an edge when negotiating a price with a dealer.

#### Here's how this can help:

- Typically dealers want to stay within a 10% profit range of their selling price. However, many are willing to sell within 3-4% of the manufacturer's invoice price, which could lead to huge savings for you.
- The site also provides up to date real time incentives on every car including factory-to-consumer incentives and factory-to-dealer incentives, which can be used to help you negotiate the purchase price down even further.
- Visit them online at [www.carcostcanada.com/1/en/learnmore.asp](http://www.carcostcanada.com/1/en/learnmore.asp) for more information.

# How to Get the Best Value **Buying Used**

The decision to buy used vs. new could be an easy one if you consider a brand new car depreciates by approximately 30% in the first year of ownership. Given this rate, purchasing a used vehicle, after the highest rate of depreciation is complete, may offer the best value for your money.

If you've made the decision to buy a used vehicle, there are a few tips to help you along the way:

**Don't risk your relationship with friends and family** - never buy a vehicle, no matter how well it runs, from friends or family. Buying used vehicles is unpredictable and expensive repair needs after the purchase can result in unwanted negative feelings.

**Where to shop** - check your local newspaper and shop around. There are private owners, new vehicle dealers (selling used vehicles) and used vehicle dealers. Each has advantages and disadvantages, so choose wisely when making an offer.

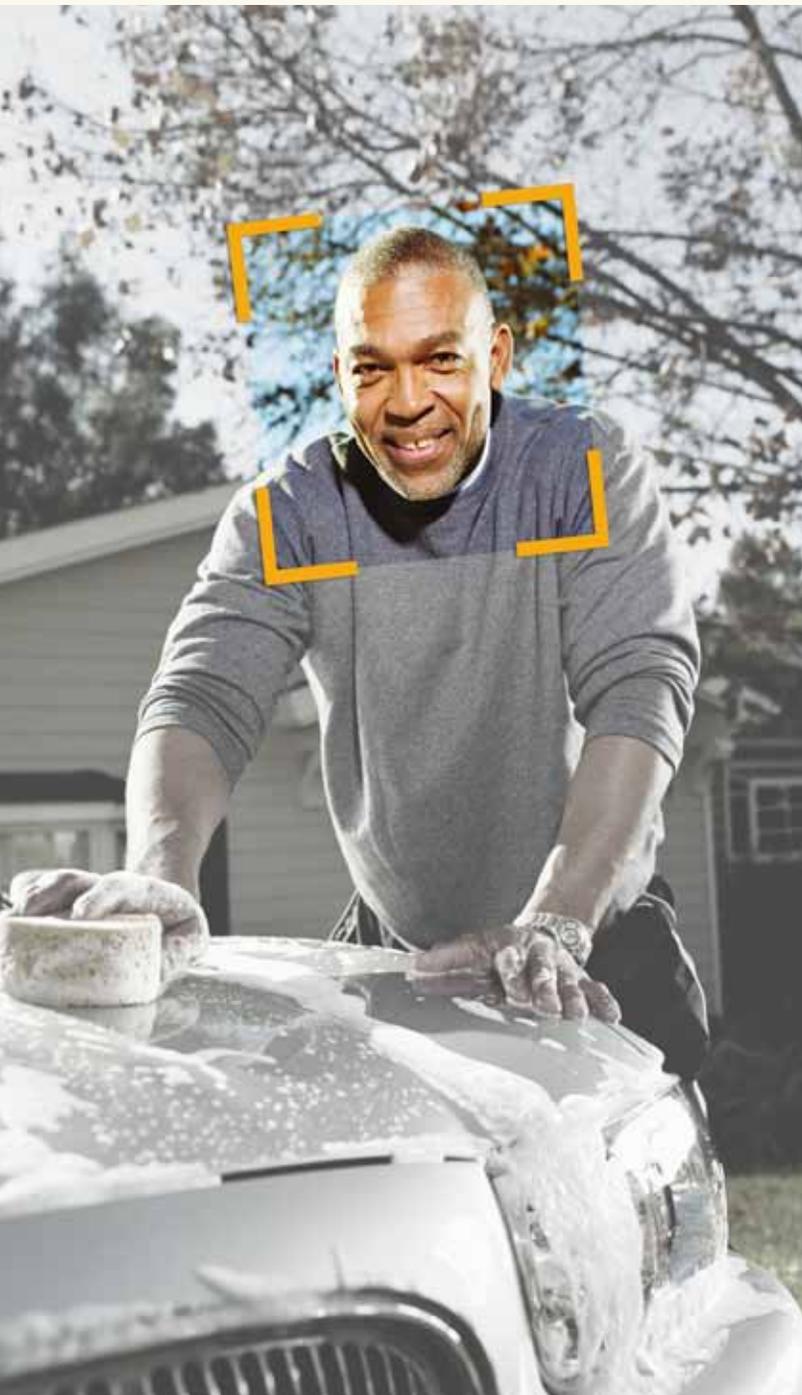
**Check for a warranty** - if the vehicle is still under warranty, check to see if it's transferable.

**Complete your own preliminary inspection** - tips on what to look for, check the condition of:

- Exterior paint
- Evidence of rust
- Windshield/windows
- Tires (don't forget about the spare)
- Interior appearance
- Instruments
- Features
- Lights
- Road test (brakes, acceleration, handling, etc.)

**If the vehicle passes the preliminary inspection, move forward with a full MVI test before signing a deal.** No one should object to having this done before purchasing. If they do - walk away.

**Check consumer guide publications and vehicle news websites** for tips and models to avoid, and models to consider, when shopping for a used vehicle.





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