

# [Guest Post] Top 5 Things to Consider Before Buying a New Car

I make decent money. And my wife makes decent money too. And yes we have a mortgage and kids and bills, but money isn't really an issue for us on a month to month basis - we do OK. We aren't rich by any means, but we're definitely not poor.

And despite this, I drive a 2003 Honda Civic with 190,000+ miles on it. The windows aren't tinted. It's a four cylinder with a CD player that never has CD's in it (because who has CD's anymore?). The upholstery is coming apart or detached in a number of areas. There are stains from the kids on the back seats and I don't exactly volunteer to drive when we go to lunch at work. But this car has been good to me. I bought it with about 15 miles on it and traded in a Dodge truck that got a third of the miles out of a gallon of gas that this car gets. With three kids, it's not like this car is driven a lot on the weekends either.

Guess what the best part is about this car? It was paid off about 4 ½ years after I bought it. I haven't had a car payment in YEARS.

**But that is all about to change and I am not sure how I feel about it.** My oldest kid is driving now and needs a car because she's involved with sports, church and being a teenager. I sure as hell am not going to go buy her a new car so I am on the hunt for a new car for myself.

Now, over the years buying cars hasn't been my favorite activity. My wife usually gets pretty mad at me during the process because of how resistant I am to the whole thing. I don't want the payment so my number one question as I am looking at a car is, "How much per month?" I don't care about bells and whistles (maybe a little bit) but am most concerned with it getting great gas mileage and being something I can drive for a long time. Plus, if I can get the payment low enough, I can pay extra every month and pay it off early. I've done that with this car and every other car I've ever owned.

About six months ago my wife started telling me to buy a new car. My oldest has also been asking weekly when I was going to get a new car since she got her license around the same time. I resisted and resisted because I just didn't want to deal with

it. But I am finally there - **I think it's time.**

I have been going back and forth over the past few months mostly because of the money. Part of me wants a nice car. I work hard for my money (try saying that without singing Donna Summer out loud) and so I feel like I “**deserve**” a nice car. I looked at getting a big truck or a nice SUV but just couldn't fathom the payment. A friend of ours got a big GMC truck last month and pays \$800 a month.

I just can't do that. I would rather put money into savings, into paying my mortgage down or into retirement. Plus there's the gas on a big vehicle. When I bought my Civic, my payment was \$265 and I think I get about 30-35 MPG still. The Odyssey my wife drives now was \$490 a month when we bought it **so \$800 as a monthly payment was out of the question quickly.** So then I considered getting another Civic. Let's be honest, they're **GREAT** cars and outside of the maintenance here and there, you can drive that thing forever (as I have proven).

I think I dragged my feet and over-thought it so much that I finally had to talk to someone else about it because I was just done discussing it in my head. GYFG and I were talking about it this week and we thought of a couple different things to consider when getting ready to make a big purchase like this. Big purchases are inevitable, but I think there are some things you really need to consider when going through this process.

### **Top 5 things to consider when buying a new car**

1. **Calculating what you can afford (GYFG here - I would say it a little differently: calculate what you can afford and then buy less than you can afford)** - I think this is probably the most important part of the purchase process. I would go so far as to say it's more important than deciding what to purchase. If you don't know what you can afford, you can't choose your car. Before I started working on purchasing a new car I decided that I wanted a payment at \$500 or less. I knew I could qualify for a much bigger loan if I wanted but like I said earlier, I just couldn't bring myself to do it. I can get plenty of “car” for \$500 and not have to make sacrifices with putting money away for my future. I also refuse to do something like put \$20k down on a car and still have a \$500 a month payment because I went out and got a \$100k car (or something like that, you can do that math and figure all that out). And that leads me to the next point.

2. **Want versus need** – I need a new mode of transportation. I want a Tesla or a Range Rover or a BIG four wheel drive truck that gets 5 miles to the gallon but looks really cool (**GYFG here – A Tesla would be sickkkkkkkkk**). I need a practical car that isn't going to break the bank and can get me to work every day safely. I want something that's all leather, with a sun roof, with nice rims and that has a great sound system. See what I am getting at? I think that for all of us here, we're working towards our own freedom. We want to do what we want with our time and are working towards the ability to work on things we're passionate about. My choice here is pretty simple when I stop and think about what I really want – freedom from working at a job I HAVE to go to every day to pay my car payment. **I WANT to purchase the car I NEED, not the car I WANT.**
3. **Financing versus paying cash** (**GYFG here – I am usually in the “pay cash” camp. But with cheap money and the fact that you are buying less than you can afford, I think I am okay with financing in this instance.**) – This is always an interesting debate with people. I've never paid cash for a car outright. I know a lot of people that have and swear it's the only way to purchase a car because of depreciation. I don't believe I've ever paid anything more than 1.9% on a car and am pretty confident that I will be able to find something at that rate or even lower based on my credit score and the deals being offered now. I will put some money down on whatever I buy but will end up financing the car and then will do my best to pay it off sooner.
4. **Buying new versus used** – Since getting married, my wife and I have only owned a few different cars. Because we like driving cars for a long time I think purchasing new is the way to go. I have purchased certified pre-owned cars before. But because I want to purchase something and hold onto it for as long as I can, I want to know where it came from. That being said, there are great deals out there on certified pre-owned and you can probably find something you can hold onto for a long time as well, but I like knowing that I have had the car since it came off the truck at the dealership and don't worry as much about what might have happened to it previously. However, if I was driving something a little newer and was going to go out and get a car for my oldest, I would have definitely bought something used knowing full well it would be a car she had for a few years at best.
5. **Buying warranties, gap insurance and theft protection** – I know that people can get “had” during the financing process at the dealership. There are

all kinds of upgrades and upsells they're trying to sell you so they can make their money. Some of them are great deals and some aren't so much. When we purchased our most recent Odyssey, it was a certified pre-owned and I purchased the extended warranty to 120k miles. Let me tell you, that \$2k has more than paid for itself since we got the van. We've had automatic door motors replaced, seatbelts replaced, and all kinds of stuff underneath the car I can't even begin to remember that was replaced free of charge. We park our cars in the garage at night and in pretty safe areas at work, so the theft protection device hasn't ever been something I've considered. More than anything though, I think it's key to know what you're going to do before you walk into the dealership.

There are a bunch of other things to be aware of as you're going through this process and I won't bore you with all of them. I've done my research on safety factors, cabin size, gas mileage, theft rates, etc. But I think that at the end of the day, I just had to stop and ask myself, "What are you purchasing a new car for?" I waited until I truly needed to do it versus going out and replacing a car every four years. I am willing to sacrifice a Tesla or a Range Rover today to know that I will be able to control my future that much faster by making a sound financial decision.

**I truly believe and practice the belief that seemingly small and insignificant decisions I make on a daily basis will have a huge positive impact on my future and my family's future.** Right now, my focus is on living life on my terms, and big payments on a fancy car that bring very little and fleeting joy is not worth the tradeoff of extra time in my FREEDOM plan.

(**GYFG here** - Dude! First of all, love the reference to the [Slight Edge](#) philosophy in your last sentence up there. I think you made the right decision and are looking at this the right way. We both know how quickly the euphoria of buying a new car fades anyways. Lastly, **SO WHAT DID YOU END UP BUYING?**)

I have a friend that is the GM of a Honda Dealership and he worked a little magic to get me a really good price on a 2015 Honda Accord Sport. It's a nice looking car, gets good gas mileage and has decent power for a four cylinder. The car even has a hookup for my phone which is a great perk I've lived without for years. The car will be paid off before the 5 years are up (I secured 0.9% financing) and will be the perfect first car for my son when he's driving 8 years from now.

-Mr. CEO



## Gen Y Finance Guy

**Hey, I'm Dom** - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)