

1-2-3 Banking

Strong beginnings to a healthy financial future

Things to Know Before Buying a Vehicle

Got the bug to get some new wheels?

One of the first steps you should take is determining the price range you can afford. Work with your Personal Banker and a trusted adult to find out what price range might be comfortable for you. It is important to know that the advertised price of a vehicle is not what you will actually pay to buy it. There will be other costs like sales tax and registration fees.

Many people save up for their car and pay for it in cash. Many others will take out a loan at their bank to help them pay for the vehicle. Any money you have saved ahead of time will lower the amount you need to borrow and will save you money in interest to help you pay the loan off faster.

Think about your budget. What monthly payment would you be comfortable with? If you decide that a \$200 monthly payment sounds like the right amount it is a good idea to put that money in your savings account

every month for awhile before taking out a car loan. This will help you save money for a down payment on a vehicle and will give you a good idea if that payment amount will really work for you. Many times people think that they will be able to afford a certain monthly payment, but then have a hard time actually making it work. Also remember that when you own a vehicle your costs will increase by more than just the monthly payment. You will also need to pay for things like insurance, registration, gas, maintenance, and repairs.

Don't set your monthly payment up for the highest amount you think you can afford. People often borrow the most they can afford, but every month is different and there will be times when unexpected expenses come up. You don't want your vehicle loan to keep you from paying for other things you need or want. If you can leave yourself financial wiggle room, it will make things much less stressful for you.

When you go to the bank to take out your first vehicle loan you will give information about your income and your expenses and talk about what price range makes sense for you. If you don't have much credit history, the bank will usually ask for a qualified cosigner. This could be a parent, relative, or friend who has a good credit history and will involve a discussion between the two of you to decide whether a co-sign agreement is a good or not-so-good idea. Enjoy the journey!

