

9.4 Obtain a Vehicle

A Buying a new Car

M.S.R.P. - The Manufacturer's Suggested Retail Price, commonly known as the List price or window sticker, is the price set by the manufacturer.

Example 1. Visit: [CARCOST CANADA](#) and find the M.S.R.P. for Nissan Rogue S AWD model.

\$30,798 ✓

Dealer selling price - How much money a dealer wants to get from the client.

Example 2. Visit [401 DIXIE NISSAN](#) to find the dealer selling price for Nissan Rogue S AWD model.

\$33,446

+10%
profit
for
dealer

Dealer invoice price - How much money a dealer pays to manufacturer.

Example 3. Most dealers will try to make a 10% profit on the car's selling price. Use the information you have collected to find the dealer invoice price for Nissan Rogue for S AWD model.

$$33,446 = P + 10\%P = P + \frac{10}{100}P = P + 0.1P = 1.1P$$
$$P = \frac{33,446}{1.1} \approx 30,405$$

Factory-to-consumer incentives - In an effort to stimulate sales, many manufacturers will offer incentives to the consumer (you). These incentives are commonly advertised in the media and can consist of low rate financing/leasing rates, such as 0% cash rebates, such as \$2,000, or a combination of both.

When buying a new car:

- ✓ deciding exactly what type of car fits your needs. Do you want a large vehicle with lots of room or a small car that's very fuel efficient?
- ✓ research features, safety ratings and reviews.
- ✓ always thoroughly test drive all your prospective vehicles. No matter what the reviews say, the only way to tell if you feel comfortable in a vehicle is to drive it yourself.
- ✓ make an appointment to speak with a senior salesperson or sales manager at one of our pre-screened dealers or your local dealership.

B Loan/Mortgage Calculator

Most people buy new cars by getting a loan from the bank.

P is the *principal* or the *present value* (is the selling price plus taxes)

R is the *monthly payment*

I is the total accumulated *interest*

r is the *interest rate* per year

t is the *time* (in years, or months)

$$CR = \text{monthly Rate}$$

Example 4. Use a [loan calculator](#) to find the monthly payment for a car with selling price of \$35,000, HST 13%, interest rate per year 5%, compounded monthly, term of 5 years, and a down payment of \$2,500.

$$P = \text{Price} + \text{Taxes} - \text{Downpayment}$$

$$= 35,000 + \frac{13}{100} \cdot 35,000 - 2,500 = \$37,050$$

$P = 37,050$
 $r = 5\%$
 monthly
 5 year
 $R = \$699.18$

C Leasing a Car

To lease a car:

- ✓ make a small down payment — less than the typical 20% of a car's value you'd pay to buy
- ✓ pay monthly payments for the term of the lease
- ✓ when the term expires, you return the car

Leasing a car:

- ✓ is less complicated than buying a new one
- ✓ you don't own the car when your lease expires
- ✓ you essentially rent, not buy, the car
- ✓ you don't have equity in the car to use toward the purchase of another vehicle.

Leasing is more beneficial than buying when you:

- ✓ don't have the cash to buy the car
- ✓ want to drive a vehicle that's out of your purchase price range
- ✓ won't likely exceed the mileage cap in a contract—usually between 10,000 and 15,000 miles per year
can take good care of the car's exterior and interior, paying particular attention to avoid nicks, spills and other cosmetic damage
- ✓ expect to lease another car when your vehicle's current contract expires

Example 5. How much money do you pay if you lease a car for 48 months with a down payment of \$2,000 and a monthly payment of \$376.50?

$$\text{Total} = \$2,000 + 48 \cdot \$376.50 = \$20,072$$

D Buying a used Car

Buying a used car is a great way to get a vehicle for much cheaper than a new vehicle. However, there is a long process to go through that *has greater risk* for you as the buyer.

Things to remember when buying a used car:

- ✓ Talk to your bank about getting a loan ✓
- ✓ Research for your ideal vehicle ✓
- ✓ Remember to test drive the car before you take it home ✓
- ✓ Having the car checked by a certified mechanic is a step that should never be skipped ✓
- ✓ If you don't like the deal, there is nothing wrong with walking away ✓

Example 5. Visit [autoTRADER.ca](#) and find a used car Nissan Rogue 2011 model.

around \$10,000