

When is a Car Deal Really a Deal?

Isn't it nice when the government wants to give you thousands of dollars to buy a new vehicle? Or how about when car dealers run fabulous specials that you just can't resist?—The Federal “Cash for Clunkers” program begs the question: when is a “deal” really a deal?

My sister and her husband recently faced this question. Their 15-year-old truck decided to break down again. They were faced with a decision – either spend money on an expensive repair or buy a new truck. When the “cash for clunkers” program started, their decision was easy. They are now the proud owners of a brand new vehicle and really benefited from the \$4,500 rebate.

My husband also has a 16-year-old pickup truck with over 100,000 miles on it. Only once did it get better than 15 MPG. The truck does not have much value on the used car market and certainly qualifies as a “clunker”. Could this be a golden opportunity to take advantage of the government incentives? But wait, does this make good financial sense for us?

Deciding when a car deal is really a “deal” is usually based on need, emotion, and finances.

- **Need** – Why do you need a new (or new to you) vehicle? My sister had a definite need, since the old truck was used for the family business. Other needs might be caused by a new driver in the family or new baby in a car seat.
- **Emotion** – There is a reason most of us like the “new car” smell. There are a lot of positive emotions involved with driving your brand new car. This is usually why people buy new cars before their old ones are truly “used up”.
- **Finances** – When the repairs on your old “classic” start exceeding the cost of a newer vehicle, it's time to move on. Or, perhaps it is simply time to down-size to a less expensive vehicle.

The need and financial reasons seem pretty straightforward, but how do you respond to an emotional desire to buy a new car? When the new car bug hits, I pull out my calculator and start to compare the cost of a new car to other emotional things in my life. The vehicles I want to buy usually cost about \$300 more per month than keeping our old truck. The lower maintenance and better gas mileage of a new car is quickly outweighed by the higher car payments, higher insurance, and higher excise tax.

By keeping the vehicle we already own, we save about \$3,600 per year. Whenever I feel the “new car urge” I ask myself if there are other things in my life that I could do with \$3,600. When nothing else tops the list, a new vehicle will appear in our driveway. Until then, the thoughts of what else I can do with \$300 each month tends to dim my emotional desire for a new car.

Rebates, tax incentives and “free cash” are all great. But never allow such promotions to diminish the need to carefully consider your needs, emotions and your financial situation. If all indications point to a new vehicle, happy driving! If not, enjoy the money you are saving by balancing your desires with life’s other pleasures.