Making Money Make Sense

CONTROL YOUR CASH

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CHAPTER VI: BUYING A CAR

We all need one part of our lives where we can spend somewhat injudiciously. Unless you're a priest or a nun, you didn't take a vow of poverty. There are lots of cool toys out there to be consumed, depending on your field of interest. Some people refuse to use an entry-level cell phone when there are Nexus Ones and iPhone 3GSes and BlackBerry Tours to choose from. Find your sphere of (relatively) rash spending if you can't help yourself, but at least justify it. If you want broadband internet instead of DSL for no greater purpose than playing *Final Fantasy XIV*, at least that counts as a reason. If free-range eggs taste better to you than standard eggs, pay the extra 80¢ a dozen if you must. But...

DO NOT splurge on a car. This is where putting Buy Assets, Sell Liabilities into practice is easiest in theory and most difficult in practice (for some people.)

No sane businessperson leads an ascetic financial life (see Green, Hetty). No one expects you to subsist on ramen noodles while placing every last nickel in an interest-bearing CD, nor to drive in a rusted-out 1985 Yugo if you don't have to.

That's no excuse to pay 30-40% more for a vehicle just because it carries a fancier marque than a less expensive but equally reliable model. Take the Lexus ES. It boasts the sexy panache of style and elegance that no other sedan can compare to. Except the quotidian Toyota Camry, that is. Same car. Same blueprints, same skeleton off the same assembly line in the same factory, built by the same workers. The ES has a leather interior and wood paneling, but that's it for significant differences. Oh, and as a Lexus owner you get to fill the ES with pricier 91-octane gas. Assess the value of all the differences between the cars, and it doesn’t come anywhere near the $14,000 discrepancy in their price tags.

A car might not be an asset in the sense that one day you'll sell it for more than you paid for it, but it is kind of a necessity. The following are *not* assets:

-hood ornaments
-premium coffee in the showroom
-reduced greens fees at Pebble Beach, on the off chance you're in Monterey and feel like playing a
 round (Lexus does offer this)
-personalized leather key fobs
-factory chrome grill
-the satisfaction of telling your friends you drive an Acura instead of a Honda

A Lexus GX and a Toyota 4Runner have identical frames and powertrains. Disassemble the two, and you can't tell their engines, transmissions, driveshaft, differentials, suspensions or axles apart. The one is slightly taller and heavier and has a ritzier interior. If that means $19,000 to you, then get the GX. Some people will gladly suffer the ignominy of a fabric door trim while their fancy-pants friends' doors are trimmed with leather, if it means having an extra $19,000 to invest.

Same deal with an Infiniti QX56 and a Nissan Armada. Or several other pairs of cars. Your average NBA player would shudder to know that even the Cadillac Escalade and the Chevy Suburban are fundamentally the same.

Look, Xenon HID headlights are fantastic. They last longer than conventional headlights, they're easier on your alternator, and they let you see farther. That doesn't make them worth $18,000 (the difference between a QX56 and an Armada). It's far cheaper to find a third party that can add the options to a base-model Armada, rather than pay for them standard with the QX56.

So, how to buy a car?

If you know enough about vehicles that you feel comfortable buying one used, then go for it. You'll save more money than the buyers who don't know to check for transmission fluid opacity and corroded battery terminals. If you know your struts from your manifolds, then use the ensuing relevant sections of the chapter only as a primer for negotiating.

If you prefer a factory guarantee to inheriting some other driver's (or drivers') possible mechanical problems, this section is for you. The risk of having to pay a cataclysmic repair bill a few weeks after you take title of a used car might be small, but it's large enough to discourage many people from even giving the used car a first glance if they're unsure of what they're doing or what to look for. This book will make you money, but it won't make you an amateur mechanic. Even though *Control Your Cash* encourages thrift as one of the two necessary components of building wealth, thrift can still be compatible with the peace of mind that a new car offers. Isn't peace of mind the ultimate goal anyway – even more essential to your well-being than Controlling Your Cash is?

Once you've chosen not to buy a used car on eBay Motors or AutoTrader, you'll have to visit a dealership. Which doesn't have to be painful, if you're willing to suspend conventional wisdom and try an unorthodox way of buying a car. First, an irrefutable truth:

As far as the dealership is concerned, *you are not a valued customer* to build a lifelong relationship with. You are a revenue source and nothing more, regardless of how cold a can of soda the salesman offers you. The salesman is your sworn opponent. You want to pay as little as possible, he wants you to pay as much as possible. No matter how hard he looks for a connection with you, no matter how congenial he is and how handsome he makes you feel, *he is not and* *will never be your friend.*

If you wear a University of Oklahoma t-shirt to the dealership, expect to be greeted with “Sooner Boomer”. It'll be punctuated with a fist pump (try not to let his class ring hit you). This will occur even if the salesman went to the University of Texas and bleeds Longhorn burnt orange.

If you wear shorts or a skirt, and it happens to be one of those tweener days when one season's changing into another and there's no consensus on how much leg it's appropriate to cover, you'll hear something vaguely complimentary but non-lecherous about it. Whether it's your choice of grooming, your choice of textile...it doesn't matter. He’ll strain himself trying to find your common ground. Even if you wear glasses. “No contacts for this guy! Going old school, huh?” Then look high for the high five, but don't forget to scout low for the low five – salesmen can be tricky that way.

Whatever cue you give, whether visual, aural, even if you're wearing CK1 – the salesman will treat you like someone he spent time in a foxhole with. The less you tell about yourself, whether it’s verbally or non-, the better. Your stoicism will put the salesman on the defensive, but you're not there to win a game of wit jiu-jitsu – you're there to get a car without getting fleeced. Showing even a modicum of personality opens up the possibility of the salesman sharpening up the blade shears. Yes sir, yes sir, three bags full.

Sometimes it seems as though the only possible way to avoid giving the salesman an advantage is to enter the dealership behind a full-length 2-way mirror while speaking through a vocorder. Which will tell the salesman more about your personality than if you'd worn conventional clothes and talked normally. Fortunately, you can do better than concealing your identity. You can postpone your dealership visit until you go online.

Edmunds.com, Cars.com, and KBB.com, among others, make it easy for you to determine how much a dealership pays for a car – and how much profit you want to give them (under $300.) In the process, these sites have revolutionized the process of buying a car. It's tough for a salesman to intimidate you – or anyone to intimidate you, in any negotiation – if he no longer enjoys an information advantage.

Visit the manufacturers' sites. Each one lets you “design” a car and includes a general idea of the price, both for the base model and add-ons. Car *dealer* sites often do the same thing. Why, if they don't have to? Because retail car sales has gotten so competitive, and profit margins so miniscule, that dealers can no longer rely on the traditional tactics of intimidating customers and hoping that they don’t know what’s what. Rather than lose sales to a rival, an enterprising dealer will place its window stickers online and let you decide whether it's worth giving the dealer a shot. It's almost as if the dealers are saying, “We just want to get you in the door. Once you're here, we can bombard you with inhospitable financing and bogus protection plans. But we can't do even that unless we have a warm body to do it to.”

This will take you some time. Look at every window sticker on as many dealers’ websites as possible, note what the dealers charge for each option and base model, then see how those numbers match up with the manufacturers’ sites.

Some dealers leave their lots open during non-business hours. You might not be able to drive on to the lot, but if you're willing to invest a few minutes you can walk up and down the rows of cars, looking at window stickers and taking notes.

With several dealers at your disposal, your bargaining power multiplies. More on this later, but understand that a dealer's “final” price can become agreeably unfinal if you threaten to buy from his competitor.

Not every dealership has exactly the vehicle you're looking for with the requisite factory speakers and number of auxiliary cupholders. If the vehicle your heart cherishes is only available in iced amethyst mica instead of arctic white, and only comes with a 5-CD changer instead of a 6-CD one, learn to live with it if it means saving money. And get an iPod.

There, you're already thousands of dollars ahead. Let's keep moving.

Once you're armed with information, head to the dealership. Along with your notes, bring *photocopies* of your driver's license – one for each dealer you plan to visit that day. A hackneyed dealer ploy is to ask for your license so they can do a credit check. You're not going to leave the dealership without your driver's license, which means you've ceded ground. When you demand your license you'll hear, “I left it in the manager's office for safekeeping/the door's locked/he must be out on break/I'm sure he'll be back soon.” If you get upset, you surrender even more ground. Instead, hand over a photocopy. They'll look somewhat startled and think, “Wow, this person came prepared.” If at any point you want to leave, you're out one sheet of paper.

Better still, expedite the process by bringing the document the dealer needs to extend you credit – a credit report. It might not be possible or practical, but if you can, visit the dealer shortly after you pay a visit to AnnualCreditReport.com or have recently been approved (or even rejected) for any kind of credit. To cite one example, if you just got approved for a credit card the issuer should give you a copy of your credit report if you request it. Since your credit score drops every time someone checks your credit score – making for one resoundingly vicious circle – don't let the dealership check your score if they don't have to. Bringing your credit report also shows that you're at least a semi-serious buyer, and that you don't want your time wasted. The dealer's optimal clientele is a series of easy marks who haven't bothered to do any homework. *Let them be the profit centers, not you*.

Park as close to the exit as possible, facing the street. You know, as if you were robbing a bank. There'll likely be a gaggle of salesmen hovering around the entrance, one of whom drew the long straw and gets to introduce himself to you. Engage him there, or keep your eyes fixed and walk onto the showroom floor if you prefer. He'll follow you.

It sounds counterintuitive, but you want to deal with an experienced salesman over a rookie. The auto retail sales business has a drastically high turnover, simply because smoking dozens of cigarettes while working on commission runs counter to the concept of professional longevity.

The rookie, who will be gone in a few months anyway, is there only to qualify you. If you present yourself as a serious buyer, the inexperienced salesman will pass you off to the sales manager, at which point the game just got more challenging for you. Don't let this happen.

The seasoned salesman who's good at this and has made it his career will haggle if he comes across a typical customer, but you're different and are willing to make his life more problematic. When a smart salesman runs into someone like you, he'll pass up a few dollars in commission if it means getting your name on the contract and you out the door quicker. When you find a salesman – that is, when he finds you – say the following and don't stammer:

“Are you authorized to sell me a car, from start to finish?”

Respond to his guaranteed “Yes” with “If at any point you have to leave me to talk to a sales manager or a finance person, the deal is off. If you're a trainee, an apprentice, or a cub, tell me now."

Say that and mean it. If the salesman is a rookie, not only is your comment a thinly veiled insult but he has to tell the truth or risk losing the sale. If he's a veteran, he knows you mean business.

There are tens of millions of cars, and tens of thousands of dealers. Getting emotionally attached to one you like is absurd. You don't know what power you have until you exercise it, or threaten to. Mountains can be moved quickly when a sale hangs in the balance. This salesman is someone whom you never have to see again if you don't want to. Have fun with it. Doing this forces you to be assertive with no downside.

It's an immutable law of the universe that car salesmen profit off the unaware and the spineless. That's fine. *Let them make their money off the next customer*. Or the previous one, it doesn't matter. Just not you.

Assuming that he cleared the hurdle, the first thing a salesman will ask is how much you're budgeting for this car.

******DON'T TELL HIM ANYTHING.******

Just tell him what kind of car you want. Quote him the Vehicle Identification Number if you can.

If this is indeed the car you want, say something like, "I know the sticker price is $29,578, but what do you think is reasonable for someone who's serious?"

Get a number out of him first. No matter how much he dawdles, or rephrases the question to get a number out of you first, get a number out of him first. This is crucial. If the most important advice in this book is "never carry a credit card balance", getting a number out of the dealer before he gets one out of you has got to be #2.

Once you do, pause. The salesman is dying for some sign on your end, and showing no sign will make him uncomfortable and concessionary. With enough silence, you can negate his home-field advantage.

You know exactly what price you're willing to pay, thanks to your research. You've kept that number to yourself this whole time. Quote that number now.

This is where even an experienced salesman might instinctively leave the room, for the obligatory conversation with the sales manager. Which is when you remind him that the moment a third party enters these negotiations, no deal will ever be done.

If he justifies even slightly – “Please. You've got to understand, I *have* to run this by Mr. Otis. It's standard operating procedure. Company policy. Industry policy, too” – bid him goodbye. If he's invested enough time with you, he won't let you leave. If he does, that signals that your price might be too high – which it shouldn't be, if you've researched. If it is, that's more information for you. At least you still have the upper hand and can wait for him to call you the next day.

Stay firm on your price. At this point some salesmen will nominally agree, with the intention of making it up in financing. Indicate that you intend to pay *cash*. You won't pay cash, that's not the point. The point is to finalize the central issue in a deal you can be happy with. If the salesman doesn't agree but offers a price that's, say, $500 above your price, split the difference if you can live with yourself. Explain that you can't go above (your price + $250), and say thanks for your time if he won't budge. If he stays fast on his price, aware that you have options, it might mean that your asking price remains too high. It might also mean that he fancies himself a hard negotiator. Either way, you're still walking.

Neither the world nor the dealership is going to run out of cars that night.

Once you've got your dollar figure, shop around. There is no more empowering feeling than having a car salesman chortle and genuflect in front of you, only to have you take his one ace in the hole – a price – and use it to force a better deal out of him. If you're the kind of soft touch who thinks this is unethical and heartless, remember that the salesman would do the exact same thing to you. He *did* it to the customer who preceded you, and will do it to the one who'll follow you.

Manufacturers and dealers love to advertise their generous financing terms, e.g. "Only 4.9%!" The higher the rate, the more attractive the ostensible price they can offer. They might offer you 0% financing on a $25,000 vehicle, or "sweeten" the deal by knocking 10% off the price – offering the car to you for $22,500 if you "take advantage" of their 4.9% financing. That's why you have to tell them you're paying cash – you want 0% financing. (Or as close to it as you can get, but he doesn't need to know that.) This forces the salesman to quote a higher price, i.e. one that's closer to the sticker price that was supposed to get your initial attention. Salesmen aren't used to people saying they're going to pay cash. If the cash quote he gives is too close to the sticker price, the salesman might think, "This buyer isn't saving that much this way. She might go somewhere else. I'd better knock it down more."

Can you work with me on this?
Come up a bit, and we'll have a slam dunk.
Boy, you're a tough one. I can tell I'll be earning my money today!

They're looking to build rapport – appealing to your sense of agreeability, your vanity, or some other character trait that you ought to have kept hidden all this time.

If you're that desperate to make a friend out of a working man, chat up the clerk at the 7-Eleven. The salesman is your *adversary*. The rebel to your Union soldier. The coyote to your fox. The Mafioso to your chief of police. Every time the salesman smiles, he sees another $100 bill sprouting wings and flying out of your wallet. Either that, or a puppy dies. Whatever it takes to get you to acknowledge this cosmic truth – the salesman is your...?

Adversary. Thank you.

If the adversary agrees to your price, you can now do one of two things. The one with the greater risk and greater potential reward is this – pulling out your phone and calling the other dealer whom you already did the exact same dance with earlier in the week. (Whether you do this in front of the salesman is up to you. Unless he's being a malingerer, we wouldn't recommend it.)

"Andre? This is Pat Smith. Remember you quoted me $27,123 on that TrailBlazer Monday? Downtown Chevy has the same model for $26,595. If you can beat that, I can be there in 30 minutes." Even lie by a couple hundred dollars if you feel like it, assuming you're not doing this in front of the other salesman.

Say a dealer offers you a choice of 5-year plans:
a) 0% financing on a $25,000[1] car, or
b) the same car for $22,500 with 4.9% financing.

Which is the better deal?

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1. We're calculating this on the *amount financed* on the vehicle, not the price. If you're putting $1000 down, change the numbers above to $24,000 and $21,500 respectively.

With 0% financing, figuring out the monthly payment is obvious. With interest, it's more complicated:

$$\frac{\$22{,}500 \times \frac{.049}{12} \times 1 + \left(\frac{.049}{12}\right)^{60}}{\left(1 + \left(\frac{.049}{12}\right)^{60}\right) - 1} = \$423.57$$

Where **.049** is the annual interest rate **12** is the annual number of pay periods and **60** is the total number of payments.

	$25,000/0%	$22,500/4.9%
Monthly payment	$416.67	$423.57
Total payments	$25,000	$25,414.36
Amount the dealer screwed you out of because you were too lazy to do the calculations	0	$414.36
Extra number of online stock purchases you made the day you bought because you were riding the high of the "deal" you got	0	6
Additional cost to you	0	$42
Total money lost by those stocks	0	$2195.42
Cumulative total you're out so far	0	$2651.78
Cost of malaria vaccine	50¢	0, because you couldn't afford it after spending $2652.29 on a trip to Kruger National Park
Number of mosquito bites	1	1
Result	Minor red welt, and a great story for when you get home	Excruciating death

In almost any real transaction, high price/low financing is a better deal for you than the opposite – and the difference will be far greater than that shown here.

Being transfixed by the low price (and paying less attention to its companion, high financing) is as moronic as carrying a balance on your credit cards. This is another instance where having a good credit score can save you hundreds of dollars. Low financing rates aren't even available to buyers with subpar credit. Low (apparent) prices, however, are always available to anyone willing to pay them. If it's not obvious why that is, refer to the chart and see how much extra money the dealer can squeeze out of people who are too blasé to improve their rate of return by researching. *High price/low financing* is only for people with good credit, *low price/high financing* is for anyone with a pulse. Which one will smart people take? Complain all you want about how the poor get poorer, but often the poor are only too happy to let themselves be screwed over.

Don't get hoodwinked by the concept of “cash back”, either. Instead of reducing the price of a car from $25,000 to $22,000, car manufacturers realized they could exploit buyers' naïveté by phrasing the same thing as $3000 “cash back”. It takes a superlatively gullible kind of customer to be swayed by this. The car manufacturers figured out that “priced to move at $22,000” still sounds like more money than you're used to spending. What about “$3000 in your pocket”? Using the latter paints the manufacturers as generous souls who are *paying you* to shop there. Does your employer cut you $3000 checks? Possibly, but your employer expects you to work for them. The car manufacturer is handing $3000 over because you decided to buy from them.

A $22,000 car is a $22,000 car. It's not a differently priced car attached to a $3000 check with your name in the payee field.

So now you've got a firm price, and you're committed to paying the lowest financing rate they offer.

Now that you've got a price, and an idea how much you'll be paying per month,

don't trade in your existing car. Don't buy vacation property in Mexico nor play 3-card monte in the subway, either.

The dealer quoted you a 5-digit number that's far more than you're wont to spend on a given day. Even if you're getting a good deal, psychologically you want something to relieve the pressure. Reducing that number by a few thousand will do fine.
The salesman knows this – that most people reflexively think more about "How do I lower that new car price he quoted me?" rather than soberly taking stock of their assets and thinking about how to get the most in exchange for them. Even if your old car is in good condition, it can't help but look homely next to whatever pristinely glossy thing caught your eye, has a tantalizingly low odometer reading, and is now inches away from being yours. It's easy to forget that your old car has real value that can translate into real cash – much more than the crumbs that will fall off the dealer's table.

Remember? **Buy assets, sell liabilities.**

I'm not going to keep my old car. Doesn't trading it in count as selling a liability?

Not if you're selling it for far less than it's worth. You'll get at least 30% more if you sell it yourself. A rich man knows the price of everything and the value of...everything.

I don't know. Private sales seem kind of iffy.

A private buyer doesn't want to pay dealer markup anymore than you do. Finding a private buyer is easy. Sell your existing car on eBay Motors. Or Cars.com. Or Craig's List. The dealers themselves use these used-car marketplaces, which is why 95% of the ads they feature are thinly disguised listings placed by dealers.

Any savvy used car buyer will scan past those ads looking for the ones posted by private sellers.

Meet at a neutral site. Bring a friend. Bring a weapon. Insist on cash or a cashier's check.

I don't know how to price it. I'm a financial innocent, remember? That's why I'm here.

Visit KBB.com's used cars section. Incredibly comprehensive, it lets you enter your old car's vital statistics, then determines an appropriate price to sell it for. We're not sure how KBB.com profits from this, but that's not our concern. Just be grateful it exists.

You're not going to get your asking price, nor should you. Price it a few hundred higher than you think you can get away with. It gives you some negotiating room with the buyer, and lets him think he got something out of the deal, too. Not that that's important to you in and of itself, but it's a human characteristic that you have to work with. If you insist on getting the price you posted, and refuse to lower it once a sincere buyer shows up, expect it to be on the market for a while. Jack your price up, then lower it come showtime. Conceding puts the buyer at ease. Think like the person on the other side of the transaction. Professional car salesmen do this when they offer to throw in undercoating or pinstriping.

If you're worried that the buyer is a *Road & Track* lifetime subscriber who knows more about your car than you do, so what? You're still going to get a far better price out of him than you will from a dealer.

Once you've bought your new car, never visit the dealer for service unless you have to or it's covered under warranty. Dealerships operate under the assumption that you hate being anywhere near where cars are bought and sold, but it was their can-do attitude and affable demeanor that made them the exception and made a believer out of you, who will now make it a point of coming back every time you want your oil changed or tires rotated. Changing oil, rotating tires, replacing filters...these are all simple tasks that lots of other professionals can do. Those places love to upsell too, but that doesn't mean you have to say yes.

Sometimes, your car's computer needs to be reset, or there's a factory-specific part that only authorized dealers are permitted to service. If that happens, you'll have to visit the dealer. For ordinary maintenance – and if you've read this far, we're assuming you're not the kind of person who routinely works on his own car – find a reputable service tech.

Where?

Word-of-mouth works for most people. If you're in a new town, or you're the first person in your peer group who needs to find an auto technician, go to **Angie's List**, a helpful resource if you're looking for “contractors, plumbers, doctors, dentists and more”, as the site attests. It features detailed subjective reviews of which technicians are good and which are dishonest.

Angie's List is a subscription-renewal service. Much like FreeCreditReport.com, it operates on the assumption that you'll buy a membership, hand over your credit card number, check the category of service provider you're looking for, then forget you ever gave them your credit card number. There's nothing wrong with them billing you regularly if you're using the service, since a $15 annual membership can pay for itself a dozen times over. Just be vigilant.

Anything else I need to know?

Try to keep a straight face when the dealer attempts to sell you add-ons. Rustproofing and undercoating are the classic scams, but are now so well known that dealers have had to improvise to find new sources of obscene markup. In the Southwest, the "desert protection package" is a breathtakingly creative one. It's a few dollars' worth of paint sealant, marked up to around $1300.

"Well, you know, you drive around in the summer, and the sun can murder your car."

By this point the salesman should have clued in enough not to try such nonsense with you.

Read the manufacturer's repair schedule, too. *Control Your Cash* isn't an auto maintenance manual, but if spending $25 on regular oil changes to save yourself a $2500 engine rebuild isn't sound financial advice, we don't know what is. If you don't do anything else for your car, at least get your oil changed on schedule by whichever service provider you choose. As always, think from the other party's perspective. The techs still get paid on commission. When they tell you that your 15,000-mile air filter needs to be replaced, even though

a) it's 2000 miles old and white as chalk
b) they charge $35
c) you can buy your own for $10 and change it yourself in less than a minute,

you'll know what to do.

A car isn't an investment in the traditional sense, in that you hope it'll increase in value. A car will always depreciate, unless it's a 1931 Bugatti Royale that you never take out of the garage. For that reason, some otherwise financially wellversed people think nothing of leasing a car – they reason that there's no point in owning something that loses value, and lease payments can cost less than finance payments.

Leasing a Porsche Cayenne is easier than buying one. It's also an inefficient way to spend money. Buying a lease gets you nothing tangible. You only get the right to buy the car, which most lessors never do since "their" car is now a few model years old and the ugliest thing on the lot.

Buying a car won't make you rich, but that's not the point. Always look at every dollar you spend relative to what you could've spent it on, but didn't. Economists call this "opportunity cost." Pay $1.50 for a muffin on the way to work in the morning, and that eliminates the possibility of spending the money on the birthday card one aisle over, even though your sister would've loved it. Nice going.

Buying a car gets you a negative rate of return, but it's less negative than the return you get from leasing a car. Plus it saves you the trouble of walking or taking a cab everywhere. If a car is a necessary expense (and unless you live in Manhattan or somewhere, it probably is), consider it as such and at least try to minimize your costs. A penny saved, etc.

There's one other important thing to mention. Insurance. Auto insurance sounds like it'd be simple: you pay a few hundred dollars a year, and if your car gets in an accident, the insurance company pays.
Yes, but not quite. Every policy includes several kinds of coverage, with coverage limits you get to choose:

Bodily injury – this is expressed as a pair of dollar figures, e.g. $50,000/$100,000. If you cause an accident that injures people, your policy will pay up to $50,000 per injured person, $100,000 per accident. If you get sued, your legal fees are also covered up to the latter number. Get $100,000/$300,000.

Property damage – this is for damage you do to what someone else owns (including his car), plus legal defense if you need it. Get $50,000 worth, which should cover the price of most any car you decide to crash into.

Uninsured/underinsured motorist – some jackballs like to drive without insurance, or not enough of it. Because you might run into one, this coverage will pay for your and your passengers' bodily injury damages. It's also expressed as a per-person and per-accident figure. Get $15,000/$30,000.

Uninsured property damage – this one covers damage that an uninsured driver does to something you own, excluding your car. Unless you live on a traffic island, or drive around with Ming vases strapped to your roof, you don't need it.

Medical payments – this covers not just medical but funereal expenses for you, covered passengers and family members, regardless of whose fault the accident was. If you plan on dying in a car accident, get this coverage before you do. Don't think you can go without this just because you have health insurance – which won't cover anyone else in your car, nor anyone whom you hit.

Collision – covers you if you're in a crash, subject to a **deductible**. Your *deductible* is the amount you have to pay out before the insurance kicks in. Say you carry a $500 deductible on the collision portion of your policy, and your car suffers $6000 in damage. The insurer will cover $5500 of your repair bill, while you take care of the rest.

The insurer lets you choose a deductible – 0, $100, $250, $500, $1000. The higher the deductible, the cheaper your premia will be. The trade-off can be a challenge: do I save money and assume I won't get in an accident, or pay 10–20% more so I can breathe more easily?

You pull out of a parking space and hit someone's bumper, causing a dent, some scratches, and $377 worth of damage. If you have no deductible you don't pay anything, but your rates are going to rise. In the same setting with a $500 deductible, you're going to curse yourself in the name of everything holy because you'll have to pay the whole shot. You're also not going to tell your insurer about the incident.

In the no-deductible scenario your rates are going to rise to the point where you'll be out $377 anyway, the only difference being that it'll take maybe a year instead of a day. Assuming you're not the kind of person who likes to balance a cell phone and a burrito on her lap while cruising in the left lane of the freeway, get a $500 deductible. A $1000 deductible is too big a hit to pay if your car causes, say, $810 in damage, and a $250 deductible means you'll be paying rates that are too high.

Comprehensive – this covers vehicle damage that *didn't* occur in a collision. That can include fire, theft, vandalism, hailstones or deer. Again the price is inversely proportional to your deductible, and $500 makes sense.

Rental reimbursement – Even if the other driver's at fault and carries enough insurance to repair your car, it's still going to be in the shop for a while and you're still going to need to get around. Or, say your car suffers so much damage that the insurer figures it'd be cheaper for them to replace than fix ("totaling"). It'll still take you a few days to find a new car, maybe longer if you've taken our shopping advice to heart and managed to incur hatred from every car salesman in town. Rental reimbursement insurance will cover a month's worth of rental for an annual price of less than half a day's rental. Unless you know you'll always have some other car available to you if you're in an accident, this is worth it.

Gap (loan/lease payoff) – this is not just important, but inexpensive. If your car gets totaled while you still have loan payments to make, the insurance payout might not be enough to cover the loan balance. If you owe $16,000 on a car that the insurer has determined is only worth $14,000, gap insurance makes up the difference.

Calculate how much insurance will cost *before you buy your car*. This shouldn't take long. Don't get hundreds of quotes before you buy. Hop on one site – GEICO.com works – and get quotes for multiple models there. Not that you have to buy from GEICO, but getting quotes from one insurer on different cars lets you compare apples to apples. If you can't decide between a Honda Accord and a Hummer H2, don't flip a coin. If insurance quotes on the one are twice those of the other, get the Accord.

Admit it, you laughed. Hard. And at least once, you whacked yourself on the head and said "I wish I'd thought of that." Yes, you'd have been thousands of dollars ahead if you'd had this chapter when you bought your last car.

Spending a few bucks for the entire book now sounds like quite the bargain, doesn't it? Buy it here and pay less than those suckers on Amazon will.
http://controlyourcash.com