



ABA News to Use

Keeping banking's frontline personnel informed

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In the Passenger Seat: Your Child's First Car

By Neale S. Godfrey

For the ABA Education Foundation

When your child is ready to buy their first car there are myriad things to consider. And it's definitely a time to look before you leap.

The first step is the buying decision. The next step is the financing decision: to buy or lease.

Your child is not alone. Each year in the United States people buy or lease more than 1.7 million new cars. OK, so your young adult knows they are not alone. There are lots of other people trying to make it through the car-buying maze.

The first consideration -- and this can be difficult -- is to have your child look at reality. This car, by the way, new or used, will be more than transportation for them. It will be an extension of their personality and even lifestyle.

This is a tough thing to admit, because as a parent, that's not the way we want the world to be, or more importantly, not the way we want our children to look at the world. Oh, well.

The good news is your child will have wonderful access to a wealth of comparative information about features, safety, reliability, etc., through the Internet. Here is a great use for the Web.

Before your child trots off to the dealer, they really have to make a list, in writing, of what they need and what they want in a vehicle. Yes, mom and dad, price will play a big part.

First, they should think about how the car is going to be used. Is it for a daily commute, hauling heavy objects, for a car pool, or something to be used in a contained college campus? In today's world, fuel efficiency is a big consideration, as well -- write that on both the want and need side.

Should your child buy a new or used vehicle? Here are some factors you need to discuss with your child.

-- If they only need the vehicle to drive short distances, a used car may work. -- A used vehicle may be less sexy than a new one, but they really may be getting a bigger bang for their buck. The average new car costs more than \$24,000

and it will lose between 30 and 40 percent of its value in the first three years. That's because of depreciation, which is the decrease of the car's value over time.

-- Here's the good news, a luxury car that's just a few years old could actually cost about the same as an economy car. However, before your teen starts driving that 1995 Mercedes, explain that luxury cars are way more costly to maintain and insure.

-- The good news is that used vehicles from dealers can come with warranties.

Now for the challenge, what do you pay? Your wiggle room for negotiation for a new car is the gap between the dealer's actual cost and the sticker price.

A great place to start to find out this information which will include details on rebates and incentives is from Consumer Reports (1-800-953-5555) or from the new vehicles section of www.edmunds.com.

When it comes to a price, experts used to say that you should pay 3 to 4 percent over the invoice for vehicles costing less than \$25,000 and 6 to 7 percent for vehicles costing more. The truth is, much about pricing depends on the time of year, supply and demand, and how anxious the dealer is to sell.

Your child also needs to determine how long they are going to haggle and how many dealers they are going to visit. The quest for the best price can last forever.

The price for a used vehicle is way more negotiable. First your child needs to know the average price for that year car, based upon its mileage. A good place to start is with "The National Automobile Dealers Association Official Used Car Guide" and the "Kelly Blue Book." You can buy these in print or find them on the Web.

For more on teens and budgeting or for bank marketing programs, products, and books, go to [Neale Godfrey's Web site](#) or call (908) 879-8898.

Neale S. Godfrey is the family finance expert for the American Bankers Association Education Foundation. She was a former bank president and is an acknowledged expert on family finance. Her 14 books include: No. 1 New York Times best-seller, Money Doesn't Grow On Trees and her latest book, Money Still Doesn't Grow On Trees: A Parent's Guide To Raising Financially Responsible Teens and Young Adults. She has also authored an educational program called The One and Only Common Sense/Cents Series that banks are donating into their local communities. Neale has appeared on such shows as "Good Morning America," "The Today Show," and on CNBC, NBC and CNNfn. She also provides client lectures on "How to Raise Financially Responsible Children."

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