

My New Car Options



New vs Used Car Loans

New Car

value

\$27,000

rate

5.9%* at 60 months

\$520.69 pmt

1 Year Old Used Car

comparable car value

$(\$27,000 - \$27,000 \times 18\%) = \$22,000$

rate

6.85%* at 60 months

\$434.04 pmt

2 Year Old Used Car

comparable car value

$(\$27,000 - \$27,000 \times 33\%) = \$18,000$

rate

6.85%* at 60 months

\$355.12 pmt

3 Year Old Used Car

comparable car value

$(\$27,000 - \$27,000 \times 44\%) = \$15,000$

rate

6.85%* at 60 months

\$295.93 pmt

*variable rate subject to change

I need a new car, but...

how do I drive off with the best deal?

It's spring and it's time to take off your snow tires, wash the salt off and get ready for summer travels. Is it time to think about replacing your vehicle?

New car smell – yes or no?

There is something about buying a new car that cannot be matched. The shiny new paint, the latest features and that new car smell. On an emotional scale, new cars win over used cars, but the financial scale yields a completely different result. If you are trying to improve your financial cardio, strength and flexibility, your families' transportation costs are an area where savings can be found. There are five areas to consider when deciding between new versus used: cost, depreciation, repair, fuel and insurance*.

Cost: A new car costs more than a used car. While it is difficult to quantify used car costs, it is always less than the new version of the same vehicle and the price difference drops substantially the older the car is. Typically, the difference is about 18% for a 1 year old car, 33% for a 2 year old car and as high as 60% for a 5 year old car.

In determining the cost of a new versus old car, the cost of financing must be considered. The rate for a new car loan is less than that of a used car, especially when dealer financing is included. That being said, new car purchases are more expensive, which means higher payments and more interest. From the table on the left, you can see by choosing a 1 year old used car, the loan payments are more than \$85 less each month. Over the lifetime of the loan – that adds up. Even greater savings are found if an older car is purchased.

Depreciation: Cars generally lose 25% of their value in the first year. If the vehicle is being financed, almost immediately the borrower owes more than the car is worth. Certainly some models depreciate slower than others, but purchasing a used car avoids the initial drop in value.

Cost of Repairs: The cost of repairs for any car increases annually for the first 7 or 8 years of usage and then levels off. But any increase is offset by a decline in depreciation and insurance costs.

Fuel Costs: The cost of fuel between models is significantly different and is an important consideration for the consumer. However, since the cost of fuel is fairly stable over the lifetime of a specific model the average fuel economy of a new versus used car of the same model is roughly the same.

Insurance Costs: The cost of insurance will decline over the lifetime of a vehicle, as insurance rates drop due to the depreciation of the vehicle and owners reducing the coverage.

The cost of the new car smell?

What does all this mean? Over 5 years the total cost per 1,000 km of driving a new car is \$1,459.25. For a 1 year old used car the 5 year total is \$1,196.31. Think about your average annual driving habits – that means that the difference between a new car and a 1 year old used car is an additional cost of \$262.94, for every 1,000 km you drive. In the first year alone, for every 1000 km you drive you pay an extra \$176.70 in depreciation cost, just to have a new car smell. That is a 42% premium. Overall, the best deal is a 1 year old used vehicle – you save the depreciation and get as close to a new car as possible.

What about leasing?

About half of the new cars rolling off dealers' lots are leased. Are consumers getting a good deal? Who should lease? The cost of the lease is basically the cost of the depreciation over the time of the lease period. With a buy-out or trade-in option at the end of the lease term. Generally speaking, with leasing you pay less now, but more over time for a car. Why? Leasing is the option for consumers who have a new car habit. While they never own a car, they can keep getting the newest models. They pay for the depreciation, but never get the financial upside of owning a car past its car payments, or being able to sell it for its current value. That's why, over the long-run, leasing is the most expensive way to handle your family car expenses.

* (source: DesRosiers Automotive Consultants)

“Her car broke down and she was in real need of a vehicle as soon as possible,

but she was afraid that she could not afford one. We worked out a payment plan to fit her budget and got her a pre-approval right away, which gave her the confidence to shop for a car. Within a few days she had her car.”

As told by a Credit Union
Member Service Rep

Turn over to read more about how to determine how much car you can afford.

We'll show you how...

Go to mycreditunion.ca for:

- » The Personal – Wheels In Motion
- » Telpay Bill Payment

How much car can you afford?

Whether you have decided to buy a new or used car or go the leasing route you still need to decide how much you can afford to spend. The rule of thumb is that the payment (including interest) associated with your car should not exceed 20% of your monthly take-home pay. Remember, buying a car is not an investment, it is an expense as its value continues to decline over time.

When calculating how much you can afford, there are additional expenses to remember including depreciation, insurance premiums, fuel costs, maintenance and repairs. The average cost of owning a car, excluding financing and depreciation during the first five years was about \$145.00 per 1,000 km. Think about how many kilometers you drive each year and make sure you consider this when you are deciding what you can afford. Take the total number of kilometers and divide by 1,000 (15,000 km/1,000 = 15). Take this amount and multiply by \$145.00 (\$145.00 x 15 = \$2,175). This is the amount it costs to run your car for the year. If you divide this by 12, you can get the monthly cost (\$2,175/12=\$181.25).

How do you go about calculating what you can afford?

Start by taking the **Financial Flexibility** test at www.mycreditunion.ca and click on "Get Financially Fit". First calculate your current monthly financial payments, excluding your mortgage/rent and place yourself on the Flexibility Scale. Now add in what you expect to pay in car loan payments. Is adding an additional 20% of your take-home pay in car payments putting you on the wrong side of the scale? If it is, you need to lower the amount you can afford to pay in monthly loan payments. Once you have figured out the payment amount that you can afford, it is time to check your cash flow.

Move on to the **Financial Cardio** test and include your car loan payment and the monthly cost of operating your car when completing the test. Are you in a healthy position at month end? Are you able to maintain savings goals? If so, then based on the monthly payment amount you can determine, with the help of your financial advisor, what amount you can borrow.

Not sure where to start or just need some help figuring out what all of this means to you financially – come in, give us a call or drop us a line – we'll show you how!

NEW Mortgage Options & Rates

Now you have more to choose from at The Credit Union, when shopping for the best rate and amortization to fit your financial situation. We have lowered our mortgage rates and in addition to offering 6 months to 5 year terms, 7 and 10 year terms have been added. We have also extended the amortization period to a maximum of 40 years. If you haven't looked at The Credit Union's mortgage rates, we encourage you to check us out.

We now offer:

- **NEW RANGE OF TERMS!**
Terms from 6 months to 5 years, 7 & 10 years.
- **A 120 DAY RATE GUARANTEE!**
On pre-approved mortgages.
- **NEW REPAYMENT OPTIONS!**
In addition to your regular mortgage payments you can now pay down up to 20% of your principal amount, each calendar year and double-up your mortgage payments monthly.
- **COMPETITIVE RATES!**
- **LONGER AMORTIZATION PERIODS!**
Up to 40 years.
- **RENEWAL RATE GUARANTEE!**
Up to 60 days.

As your financial advocate, we want to ensure that you have the right mortgage to fit your financial situation now and in the future. Come talk to us, let us show you how we can make your mortgage work for you.

NEW AND IMPROVED online Telpay bill payment service!

Beginning in early May, *existing online* Telpay bill payment users will pay bills directly from our internet Home Banking site at www.mycreditunion.ca. Once on our website, all you need to do is click on Home Banking and enter your member number and password to sign in. Then simply click on the "Pay Bills" button and you are ready to pay your bills. No going to the Telpay website.

What else has changed?

- Bill payments are debited from your account immediately. No more trying to figure out when the payment will go through your account.
- Individual payments are identified and listed separately on your credit union statement or online history. No more lump sum amounts and no need to pay for a TelPay statement.
- Your updated chequing balance is available after each bill payment session, so you will always know how much money you have left to spend.

Additional features:

- Make post-dated payments up to 2 days or more.
- Pay government remittances.
- Transfer funds to any person or financial institution in Canada.
- Even make payments to local and small business owners.

If you are not currently set up for internet Home Banking and wish to take advantage of this convenient service – come in to your branch, call Member Assistance at 1888-516-6664 or 416-314-6772 or drop us a line at memberassistance@mycreditunion.ca.