

BUYING A CAR: A Personal Story of Lessons Learned

I've struggled with where to start this story for months now, and finally have surrendered to the reality that the only logical place is at the beginning.

From as far back as I can remember I've wanted to drive. So it made sense that when I finally turned 16, and was old enough to drive, I'd take driver training lessons and get my first opportunity behind the wheel of a car.

My parents must have anticipated this because a short while before they had bought a second hand something or other that we affectionately called 'The Lemon', named after its bright yellow color.

On the eve of my 16th birthday, my dad took me to a parking lot where I got my first driving lesson – in a standard – none the less. To say that it was a memorable experience is an understatement. I'm quite sure I will have the fear and exhilaration (as well as the sound of the gears grinding, my dad screeching, and the memories of the whiplashing movements of the car lunging forward every time I started) forever.

As soon as I mastered driving, I was on to my next goal: my own car. And, this is where the buying the car part starts. I was in college and working part-time when my dad found what he thought was a great car for me: 4 doors, 4 speed, white, used, but in great shape. Not really my first choice, but he found it and was co-signing a loan at the bank for me to get it. I admit, I had no idea what a loan at the bank meant, I just knew I had my own car.

Somewhere along the line, I found out about credit cards and thought this was a great way to pay for the gas for my new toy. And of course, credit cards are good ways to pay for lots of things that I always bought before my car purchase, and as a young, extremely novice, financial neophyte, my new car was eventually far more expensive than when I first started.

And, that's how I discovered debt consolidation loans!

1st Lesson Learned: A car purchase needs to be financially integrated with your entire financial life. The cost of the car alone is not the only consideration. If you're adding an expense to your monthly cash flow, remember that it will impact your existing expenses. And, a car payment includes more than just the direct cost of the payment.

From that early vehicle, I eventually traded up to a cute little 2 door, 5 speed something or other that I paid cash for. I loved zipping around in this until I found myself in a career where I seemed to have more money than I knew what to do with... so I went looking for my 'dream car'. Remember, I still had no financial training, no role models and was just spending and living my life like a twenty something year old who had all the time in the world to live.

I don't actually remember what I paid for the new dream car, but I remember that the monthly payments were about \$400 a month – no big deal, my rent was only \$300 and I was earning a healthy six figure income with a fat expense account to go with it.

This was all fine and good until someone suggested I buy a condo - and, I did – sort of. I let myself get talked into a half duplex with a yard and a suite and lots and lots of expenses. Eventually, the ‘dream car’ was an expensive toy that had to be sold – that, and the fact that I seemed to be a target for speeding tickets that also weren’t in my budget, and could cost me my license if I wasn’t careful.

2nd Lesson Learned: Invest in assets to produce income first and then use that money to pay for the luxury items. And, a monthly cash flow projection is never a static document. You need to be flexible to change your monthly expenses to balance with your income and other essential expenses (i.e., your house).

As I settled down to get married and have a family, we paid cash for cars that were a few years old. And, this is how we were when our finances got turned upside down and we found ourselves bankrupt from a tax audit that went very backwards. No money and two older cars with over 300,000 km on each of them – and needing a lot of maintenance.

So much for regular budgeted anything as far as the cars went. It seemed that if one car had a break down, the other followed almost immediately with a bigger malfunction. And, so was our life for what seemed like an eternity – one string of car repairs after another until eventually my husband’s truck had a complete engine malfunction.

3rd Lesson Learned: Older cars require a higher monthly set amount for maintenance and repairs. This amount needs to be factored into the overall cost of the vehicle at the outset. For example, if you pay \$5,000 for a car that also requires \$5,000 worth of maintenance over a year or two, you have now spent \$10,000 on a vehicle that’s still likely only worth \$5000. And, of course, as the car gets older the maintenance costs go up and the value of the car continues to decrease.

Now here’s when the fun started. For our various work situations, we needed two vehicles. And while things weren’t easy recovering from bad credit, the first thing we did as far as vehicles and the credit repair goes was to get a small car loan for a reasonably functioning car – co-signed unfortunately.

Now we had one mediocre car and one old Saab, but almost immediately the new car turned out to need a new motor. Great – our \$6,000 car, now needed a new \$6,000 motor – don’t ask, but apparently the motors in these cars were known to malfunction and it turned out the dealer should have known. Gratefully, we were able to pay the dealer another \$1,000 and get the new motor with the warranty and now our \$6,000 car was a \$7,000 (\$12,000) car that was going to last us far longer than we wanted.

4th Lesson Learned: Used cars do have warranties and buying from a good dealer will give you some recourse if something turns out to be not as you had expected.

Well, the original older Saab became my husband’s vehicle for work, and very quickly deteriorated beyond what was safe to drive. Needless to say we eventually sold it for a couple hundred dollars to the same guy we originally bought it off of for \$5,000 a few years earlier.

In the meantime, the truck whose engine had died a year or so earlier was being stored at a friend's because we had thought perhaps we might fix it. The bad news was that moss and mold got to it first. But, because it was an older style Toyota Forerunner desired by young guys, we were able to sell it – moss, mold and no engine all for \$750.

5th Lesson Learned: We spent a lot of money buying and maintaining those cars and had a lot of stress in break downs and repairs and sure, we had transportation during the time we owned them, but relative to what we got back – it sure drove home (no pun intended) that cars are a depreciating asset.

Unfortunately, the loss of the old car meant there was nothing for my husband to use as his work truck. Until, that is, we inherited my grandmother's flesh colored Ford Fairmont from the 1970's – not very attractive to say the least! Certainly not at all fitting with the sort of lifestyle we had been accustomed to prior to the bankruptcy, but it served the purpose until we were happily able to pay cash for an older Jeep Cherokee a friend was selling. We donated the Fairmont to a church because despite it's outside appearance was in miraculously great mechanical condition. The Jeep actually did quite well for my husband's needs until he rear-ended a large bumper and the vehicle was declared a write-off.

6th Lesson Learned: Sometimes what you need isn't necessarily what you think you want. We needed a vehicle so my husband could work. We were happy to have the income that was made possible by having these not necessarily overly attractive vehicles.

Somewhere during this time, the car with the new motor needed to be replaced and we set out to find something reliable. This was when I discovered it was easier to lease a vehicle with bad credit than it was to borrow for one. This was also when I learned that not all leases are the same.

I was getting wiser in my credit understanding and certainly in my overall money management. And, I was quite put off when I wasn't told the straight truth about qualifying for a lease from one of the dealers. This anger and disappointment, however, lead us to someone whose company was called 'Loan Starz.' My first reaction was loan sharks, but he turned out to be very professional and was able to direct us to a company who has been fantastic to deal with ever since.

7th Lesson Learned: When you know what you want, and you have all your financial details laid out, stick to your plan and keep asking until all the pieces come together the way you need them to for your very own personal circumstances. And don't pre-judge any potential strategy or resource (or name).

We were finally able to lease a very cute, couple year old Volkswagon Jetta, leather, 5 speed, fully loaded! Oh happy days.

But, back to the written off Jeep: We weren't actually planning a new truck at that time, however, we did have some cash available and financially we were doing okay. So, with the cash from the insurance company and the accumulated benefit we had from our credit card, we were finally able to get the truck my husband had been wanting for a few years. Yes, we could have paid cash for another used vehicle, but after enduring the flesh colored grandma vehicle, I felt very strongly that we weren't buying another old, falling

apart truck. The process was easy. We did our calculations so we knew what our cash flow would look like and called our 'car guy'.

8th Lesson Learned: Build relationships with professionals who understand your vision and your situation so that your financial transactions are smooth and simple. Cars are, for many people, the second most expensive item they have in their regular cash flow, and working with professionals to help you find and finance them is important.

And finally, here's the reason you're reading this now. Because our 'car guy' also told us that if we weren't planning to keep the Jetta when the lease expired, we should consider replacing it a few months before expiration. I wasn't thinking about a new car at all, but had this on my mind when I called him to talk about a MoneyMinding issue.

I said if I was going to get a new car the biggest criteria was that the cash flow couldn't change. He gave me the numbers and directed me to a website to look at what kind of car I might like and to save me some time and effort.

Right in the middle of my budget was... the new updated version of the dream car I had 20 years before – a Mazda RX8!!

And this is where it all comes together in a beautiful package. I found the car right before we went away before Christmas. I was able to get a quick test drive, ran it by a couple of car enthusiasts I knew, and told the General Manager of the dealership that I'd take it because it matched my purse (girl joke). I phoned my 'car guy' and said now what? Because it was the holiday season, he suggested we privately sell the existing car rather than simply letting them take it back at book value. We did, but the entire process took two months. All the while we hadn't even put a dime towards the deposit on the new car.

9th Lesson Learned: When you find the right people to work with, and the transactions are simple, and everyone is working together to create win-win situations – make sure you share that with others who can also benefit either from those same services, or from hearing a great story about how all things can work together to make dreams come true.

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