

FIND NEW ROADS™

**10 TIPS ON**  
**FINANCING A**  
**NEW CAR**



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## 10 Tips on Financing a New Car

When it comes to financing your next new car, there are many things that you'll want to consider. Finding a financing solution for your next new car is easy when you do your research and prepare for it.

In this **10 Tips on Financing a New Car** guide, you'll find all kinds of information about each step of the financing process and how to prepare, so you can go into the process informed and feeling confident. Read ahead to get started!



### 1. Put a Budget Together.

The first thing you need to do when you're financing a new car is to make a budget. First, you'll need to determine how much you can pay each month towards your loan. Sit down with your current budget including all your existing expenses like rent, mortgage, groceries, etc.

Then, take a look at your monthly take-home income. This is the amount of money that you make after taxes, 401k contributions, and the like have been withdrawn from it. Calculate 15 to 25 percent of whatever this number is, and that's the amount that you should spend each month on car payments.

Keep in mind, though, that this number is relative to the amount of existing expenses that you already have. If you have other large payments, you should consider staying between 15 to 20 percent of your monthly take-home pay instead; this will ensure that you stay on track with your car payments.

## 2. Don't Forget About Additional Fees.

Along with your monthly payments, there are several other additional payments that you'll need to pay in order to take out a new car auto loan. Depending on which new car you pick out and where you buy it, you may have to pay some of these additional fees:

- Registration, title, and documentation fees
- Sales tax which will vary depending on the state you buy in
- Interest fees which will vary on what kind of loan you get
- GAP (Guaranteed Auto Protection) insurance
- Prepayment penalty if you pay off your loan early
- Destination fee if you have your new car delivered to you

The key to preparing for these additional fees is to speak with the dealership before you make the sale to get a better idea of what kind of costs you can expect. Then, you just need to factor them into your original budget like you did with your monthly payments and your down payment.

## 3. Pay for Additional Fees in Cash.

When it comes to these additional fees, you have a few options for how you can pay them. You can either pay for them up front in cash or have them lumped in with your new car auto loan. However, you'll want to pay for them separately with cash rather than taking advantage of the latter option.

This is because lumping them into your loan will mean that you'll pay interest on these additional fees. Subsequently, paying for them up front with cash will save you in the long run.





## 4. Consider Ownership Costs.

The initial cost of the vehicle, including the additional fees, is the first thing that you need to consider. Then, you'll want to do some research in terms of how much your next new car will cost to own and maintain.

Depending on the vehicle you choose, the cost of gas, insurance, repairs, and maintenance will vary. Use online research tools like Kelley Blue Book® and Black Book® to review the ownership costs of the models you're considering. Then, you can adjust your budget to make room for these additional costs.

Thankfully, maintenance and repair costs are usually predictable and don't come every month, meaning you don't have to tweak your budget too much. However, it's better to be prepared for them so you can handle it head-on when the time comes.

## 5. Think About Making a Large Down Payment.

Before you can drive your next new car off the lot, you'll need to make a down payment on the vehicle. You should pay at least 10 percent of the vehicle's total price when you're at the dealership signing for the vehicle.

However, it's recommended that you put down 20 percent or more. The more you can put down with your initial payment, the better; this way, you won't owe interest on that portion and you can shorten your financing term.

The down payment of a vehicle is the payment that's due at signing, meaning you'll need to have it saved up and ready to spend before you go into the dealership.



## 6. Make a Next-Car Wish List.

Once you have your budget in place, it's time to start thinking about what you want and need in your next new car. First, start by listing all the things that you need or features that you can't really live without. This could be all-wheel drive for those who live in areas with frequent bad weather or an automatic transmission if you never learned how to drive a stick.

Once you have a solid list of features you need, you can start listing things that you want; features that you could live without if you had to. This could be anything from a surround-sound audio system to heated seats.

Putting together a wish list for your next new car not only helps you find a vehicle that truly works for your lifestyle, but it also helps you stay focused in terms of your budget. When you have a list of what you need right in front of you, you can zero in directly on vehicles that fit your needs rather than trying to digest the market as a whole.

## 7. Get Acquainted with Your Credit Report.

Before you jump into the financing process, it's important to understand where you stand in terms of your credit. One of the first things that lenders and dealerships look at is your credit score so it's important to know your score before they do this.

Getting your credit score is easy—all you need is internet access. What you'll want to do is use a free credit estimator like Credit Karma which gives you your credit score without making a hard inquiry on your credit report. Typically, a good credit score for financing a new car is anything above 700.

If your credit score is lower than you think it should be, you'll want to request your official credit report so you can dig deeper and find a solution.

## 8. Shop Around for Different Rates.

Shopping for a car loan is almost like shopping for a new car. There are lots of different lenders out there including banks, credit unions, online auto lenders, car dealerships, and more. Each one of these types of car loan lenders will give you a unique financing quote based on your credit score, the type of car you're financing, and other factors.

With that being said, you'll want to explore all your financing options before you commit to one. While you may get a good rate from the first lender you request from, you may get a better one somewhere else.

Another thing to consider when financing a new car is your option to lease. This is a great option if you have a lower budget or don't have time to save up for a down payment on a new vehicle.



## 9. Never Miss a Car Payment.

It should go without saying that your car payments need to be made on time each and every time. There are a few great ways to remind yourself when it's time to make a car payment, including:

- Marking your payment dates on a physical or virtual calendar.
- Setting alerts or alarms on your phone scheduled to sound before your payment is due.
- Making your car payment on the same date every month.
- Paying your car payment at the same time or on the same day as another payment or payments.

By creating reminders like these, you'll be able to make your payments on time in order to prevent late fees or the chance of lowering your credit score.

## 10. Stay Up to Date with Maintenance.

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It pays to keep your new car in good shape. Even though you aren't thinking about it now, you may want to trade this new car in or sell it sometime down the road. By meticulously preserving its quality and staying up to date with preventative maintenance, you'll set yourself up for a good trade-in or reselling experience later on down the line.

You'll find a detailed maintenance schedule inside the owner's manual for your vehicle. Keep an eye on your mileage, the suggested maintenance in this manual, and make service appointments ahead of time so you don't forget.

## Get Financing Today!

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If you follow these tips and properly prepare, your financing experience will be as easy as possible. Get the ball rolling on financing your next new car today by searching for new car dealerships near you!

