CarEdge

First-Time Car Buyer's Guide

Understand Car Dealer Tactics, and Know Exactly What to Say

Stepping into a car dealership can feel like entering a high-stakes poker game, but with the right guidance, you can confidently call their bluff. CarEdge's Ray Shefska lifts the veil on dealership tactics with secrets from his impressive 40+ year tenure in the industry. While maximizing profits is part of their playbook, you don't have to be an unwitting participant. With CarEdge by your side, here are the pivotal questions and strategies to empower your negotiations.

Part One: Negotiating with the Salesperson

1. Do you have a monthly budget in mind?

Correct answer: I have a total **out-the-door price** in mind. I'd like to stay focused on that.

Wrong answer: Yes, I don't want my monthly payment to be more than $700 per month.

Why: Once the dealer knows what your monthly payment goal is, they immediately start thinking about how much wiggle room they have for add-on products, incentives and other odds and ends of the deal. Once you share your desired monthly payment, you'll be negotiating that number for the rest of the deal. This makes it alarmingly easy to lose sight of how much you're actually paying for the car.

2. How much cash do you plan to put down?

Correct answer: I just want to know what the out-the-door number is, can we stay focused on that for now?

Wrong answer: I think I could put between $5,000 and $10,000 down. It depends on what the price of the car is, and how much you give me for the trade-in.

Why: This question is another tactic the salesperson uses to turn you into a 'payment buyer'. Yes, you'll eventually have to tell them what your down payment is, but do NOT volunteer that information too early in the negotiation! Car dealership salespeople are going to.

Key points

You really want to stay **laser-focused** on the only number that matters this early in the game: T**he out-the-door price**.

3. **I see you drove a nice car here today. Will you have a trade in?**

Correct answer: I haven't decided yet. Once we've established an out-the-door number, we can discuss things like that.

Wrong answer: Yes of course, how much can you give me for it?

Why: You should always treat buying a car and trading in as TWO separate transactions, because they truly are. See what your car is worth with offers from multiple online buyers **here.**

Part Two: The Finance Office

These are the questions you're most likely to encounter at the finance office. For even more tips, examples and advice, see our **Finance Office Cheat Sheet.** It's one of our many **free resources!**

1. **Have you thought about what loan term you'd be happy with?**

Correct answer: I have thought about this and I've even been pre-approved with competitive credit unions, so I do understand what my loan terms should be in order to keep my payment affordable.

Wrong answer: No, I haven't thought about it yet. Can you help me lower my payment even further?

Why: When you express uncertainty about your desired loan term, finance managers spot an opportunity to manipulate the loan term to make a deal appear more attractive. By extending the loan term, they can "lower" your monthly payments, even if it ends up costing you more in the long run due to interest.

2. **Would you consider financing with us?**

Correct answer: Yes, if you can beat the rate I have on my pre-approval from the credit union, I'd consider it. The rate and the payment would need to come down enough to justify it.

Wrong answer: Sure! That sounds easier.

Why: Be sure to mention that your payment would need to come down in addition to getting a lower interest rate. Why? All too often, the finance manager can offer you a slightly lower interest rate, only to trick you into add-on products later, meaning that your monthly payment ends up the same or even higher than it was originally.

3. Here's our menu of products. Let's talk monthly payments!

Are you interested in our tire care package for just $6 per month? Or theft protection for just $10 per month?

Correct answer: Thanks, but for each of these products, I need to see the total cost of the product, not just the monthly payment.

Wrong answer: Awesome, wow I see that this theft protection only adds $10 per month!

Why: Expect them to show you the monthly payment, not the total price of the products on their menu. You'll have to ask for them to point out the total price. Remember this: A product that adds 'just' $10 to your monthly car payment over a 60-month loan term will actually cost you $600.

Familiarize yourself with car dealer fees and products with our complete introduction.

Key points

Would you pay $600 for something like tire protection or theft protection? Or, could you buy these products elsewhere for half the price? This is how you should think about the menu products.

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Stay in Control

Purchasing a new car should be a pleasant experience. However, it's easy to become ensnared in the web of dealership tactics. Dealers are experts at maximizing their profits at every stage of the negotiation, but with knowledge comes power. By understanding their strategies and preparing your responses in advance, you place yourself in a better bargaining position.

Equipped with the insights and tools from CarEdge, you can confidently stay in control of your deal. Before you step into a dealership next, ensure you're well-versed with these car buying do's and don'ts. Your wallet will thank you for it.

We have more 100% FREE car buying help! In fact, we've shared hundreds of **free car buying guides**, and we're always improving our **premium car buying tools**.

Check out these reader favorites and remember, knowledge is power!

Out-the-Door Price Calculator
Car Buying Cheat Sheet
Finance Office Cheat Sheet
The Best Loan Rates This Month
Car Dealer Fees You Should Never Pay

Car Buying Cheat Sheet

How to negotiate confidently at the dealership

How to negotiate with a Salesperson

Salesperson: Are you paying cash?

You: I haven't determined exactly how I plan to pay for it. I am only concerned about the total out-the-door price.

Salesperson: Do you have a monthly budget in mind?

You: I have a total out-the-door price in mind, so I would only like to discuss that at the present time.

Salesperson: How much cash will you be putting down?

You: I haven't decided that yet and I won't until we establish an acceptable total out-the-door price.

Salesperson: What are going to do with the car that drove here, will you be trading it?

You: I haven't decided yet. We can discuss that as a possibility after we agree to an out-the-door price.

Salesperson: Now that we have agreed to the out-the-door price, what about the car you drove here, will you be trading that in?

You: I might, it depends on whether or not you can match or beat these written offers that I have already received.

Salesperson: Now that we have agreed to the out-the-door price and agreed to the value of your trade, what do you want your monthly payment to be?

You: I'll only discuss that with the Finance Manager.

Key points

You really want to stay **laser-focused** on the only number that matters this early in the game: T**he out-the-door price**.

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Car Buying Cheat Sheet

How to negotiate confidently at the dealership

How to negotiate the best auto loan rate in the finance office

Finance Manager: I assume that you have given some thought to a monthly payment and loan term that will be comfortable to you.

You: I have indeed and I have also secured a pre-approval from my credit union as a possibility for my loan.

Finance Manager: Would you consider financing through us?

You: I would assuming that you can beat the pre-approved rate that I have. Here is the pre-approval terms sheet from my credit union with all the particulars.

Finance Manager: So if I beat the rate you will finance with us?

You: Yes, if you beat it by at least ¼ of a percent. And I promise to at least listen to any finance and protection packages that are available.

Finance Manager: So you are open to some of our programs?

You: Possibly, if we can agree to a reasonable selling price on any items that I think have value. Oh, and if I do buy any products I would at least expect you to give me the buy rate from the bank on my loan. Once again though, you will need to beat my credit union rate by at least ¼ of a percent for me to even consider it.

Finance Manager: Great, let’s get started.

You: I’m all ears.

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Car Buying Cheat Sheet

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Finance Manager shares the MENU with additional products.

You: But first, before we go over product benefits, where is my base payment, amount financed, term and interest rate?

Finance Manager shows them to you.

You: Is there a prepayment penalty if I finance with you?

(If there is no **prepayment penalty**, proceed with considering their menu options.)

These are **products** you might see on the menu, and questions to ask:

Vehicle Service Contract (also known as an extended warranty): Are you getting a fair deal? Remember, CarEdge brings you the LOWEST prices for extended warranties

GAP coverage: In the event of an accident, GAP covers the difference between what a vehicle is currently worth and the amount you actually owe on it.

- Does this GAP coverage pay 150% and my deductible?

Maintenance plan

- Does this plan cover the major, expensive services or is this basic oil, filter & tire rotations?

Electronics Warranty: Your new car IS a computer on wheels, but be wary of dealer pricing on electronics warranties.

Tire/wheel coverage

- Does this also cover cosmetic damage?

Car Buying Cheat Sheet

How to negotiate confidently at the dealership

How to negotiate the best auto loan rate in the finance office

Paint-less dent repair/windshield repair

- Where on the vehicle and how large can the dent/crack be? How many are covered under the policy?

Paint and interior coverage

Key care

- Is this 5 years and unlimited keys?

Finance Manager shows you payments.

You: (If you don't see actual product price) Please write the actual product price next to each one.

Finance Manager: It just changes your payment by this much.

You: I see that, but I want to see the actual price of each product to help me make a good decision.

At this point, negotiate prices down on any products you want.

Finance Manager: OK, sign here and here and here.

You: Please print my Bank Contract and Purchase Order first so I can go over them.

Go over each line of your itemized Purchase Order and make sure the bottom line (amount financed) on both documents match!

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Negotiation Cheat Sheet

How to negotiate at CarMax, Carvana, Vroom and other “Negotiation Free Dealers”

Negotiate the interest rate on the loan

You **ALWAYS** have options for who you choose to finance your car with. This is true no matter what the salesperson tells you.

Dealers almost always mark up interest rates without telling you. They get to keep the extra profit for themselves.

Outside of promotional APR offers from automakers, credit unions typically offer the lowest auto loan interest rates.

You: I’ll only discuss that with the Finance Manager.

Negotiate the extended warranty and other products

Don’t be swayed by sales tactics that make it seem like you’re getting a “great deal” when you add a $2,500 extended warranty onto your purchase.

The salesperson will typically tell you the monthly cost of the warranty in an effort to make it sound insignificant. Ask for the total cost, and compare that to competitors.

Thinking about buying an extended warranty? Get a free quote from CarEdge first!

GAP insurance, tire and wheel protection, and any other insurance product you can buy after you purchase your vehicle are all negotiable. These products are generally marked up 200-300%.

Key points

Remember, you actually CAN negotiate at the negotiation-free car dealership. The trick is what you are negotiating on.

Negotiation Cheat Sheet

How to negotiate at CarMax, Carvana, Vroom and other “Negotiation Free Dealers”

Negotiate the sale of your vehicle

You can negotiate the selling price of your trade-in (if you have one).

Come prepared with recent market data showing your car’s value from a number of sources, such as:

- CarEdge Vehicle Valuation (get offers from multiple online buyers in seconds)
- Carvana
- Cargurus
- CarMax
- Black Book Valuation (available through CarEdge Data)

In most states, there is a sales tax benefit for the seller when you trade in a car. However, in the states of California, the district of Columbia, Hawaii, Kentucky, Montana, Oregon, and Virginia, theres is no sales tax benefit from trading in your vehicle. Double-check your local tax codes to be sure.

Remember to **ALWAYS** treat your trade-in as a separate transaction that **YOU** are in control of.

Car Buyer's Glossary of Terms

The terminology you need to know when buying a car

Terms

Acquisition Fee: An acquisition fee, also commonly referred to as a bank fee, only comes into play when you lease a car. This fee is charged by the leasing company to initiate the customers lease and is required on all leases. The lease acquisition fee usually includes GAP insurance to protect both the lessor and the lessee in case of vehicle damage resulting in a total loss. The acquisition fee can range from a few hundred dollars, to more than a thousand dollars. This depends on the leasing company and the car being leased.

Additional Dealer Markup: Additional dealer markup, or market adjusted pricing, is a tool that dealerships use to increase the asking price for a particular vehicle. This is typically listed on the addendum sticker that is placed next to the Monroney sticker to reflect any dealer installed items and adjustments. This usually occurs on vehicles that are in high demand and short supply.

Annual Percentage Rate: Annual percentage rate is as common a term in a car dealership as it is at your local bank. Commonly referred to as APR, the annual percentage rate represents the annualized interest rate on a loan (or credit) of any sort. Instead of getting an auto loan at 0.0000110 per day interest, you get a loan at 4% APR. The annualized interest rate is simply easier to understand and reference.

Auctions: Car auctions represent the underpinnings of the retail car market. Registered car dealers can sell and buy cars at used car auctions across the world. Manheim is the largest used car auctioneer. Dealers have access to manufacturer sponsored auctions where dealers franchised to sell those brands can buy retired company cars and captive lender lease returns.

Blue Book Value: Blue book value refers to the often referenced price sourced by Kelley Blue Book (kbb.com). Kelley Blue Book is well regarded in the automotive industry, having their used-car pricing guide in publication since 1926.

Closed-End Lease: Most car leases are of the "closed-end" variety. A closed end lease means that the customer is not obligated to purchase the vehicle, or guarantee the lease end residual value of the vehicle at the end of the term. This means the customer does not have to buy out the car at the end of the lease. With an open end lease the customer is obligated to guarantee the lease end residual value of the vehicle.

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Dealer Incentives: Dealer incentives and factory incentives are one and the same. They are the incentives that the manufacturer pays to the dealership, and dealership personnel in order to encourage the sale of certain vehicles. These incentives can also take the form of monthly and quarterly sales goals as determined by the manufacturer.
Customer incentives, such as rebates, special financing options, and discounted lease rates are what the manufacturer will advertise and underwrite. These are put in place to encourage the sale of certain cars.

Dealer Addendum Sticker: A car's Monroney sticker provides an overview of relevant information about a new vehicle. Not included on this window sticker are any dealer added accessories. For example, dealers may add aftermarket wheels, undercoating and other features that can raise the asking price above the MSRP. These modifications will appear on a secondary window sticker known as the dealer addendum sticker. This ensures that you, the buyer, have full clarity into what the car includes, and what came from the manufacturer as well as what the dealer added.

Destination Charge: The destination charge is part and parcel of a car's MSRP, and is listed on the window sticker as a separate line item that makes up the total manufacturer's suggested retail price. The destination charge is not something that dealers pass on to the customer. It is a charge that the manufacturer imposes.

Disposition Fee: The disposition fee is non-negotiable, and only charged to a customer when they return their lease car and do not lease or finance another car through that lender or leasing company. This fee is charged in addition to any excess wear and tear items that might be discovered at lease end. The disposition fee helps to mitigate the lenders cost to recondition, transport and register the car for sale at the auction.

Document Fee: This is a fee that the dealerships charge to help offset the costs of non-revenue producing dealership personnel such as accounting staff, title clerks etc. Most states cap the dealers as to how much they can charge for the documentation fee, and this amount varies from state to state.

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Down Payment: As with any loan, the down payment represents the cash paid upfront to reduce the total size of a loan.

Early-Termination Fee: Another charge only applicable to leases, an early-termination fee is exactly what it sounds like, it is an additional charge for cancelling your lease before the term is over.

Excess Wear Charge: Yet another lease specific charge, excess wear charges are incurred on leased vehicles that (upon their return) contain dings, dents, scratches, tears, etc. At the lease-end inspection (click here to jump to lease-end inspection), you will be notified if there are any excess wear charges. This also includes if you exceed your allotted mileage for the term.

Extended Warranty: An additional product sold by the dealership, that is sometimes referred to as a service contract. It covers service and repair costs that may be incurred beyond the vehicle's factory warranty.

Finance & Insurance: One of three revenue generating sections of a car dealership, the finance and insurance department is where you'll sign your paperwork for your new car. The F&I manager will walk you through all of the documentation of your purchase, as well as give you the opportunity to purchase additional products (extended warranties, tire and wheel protection, etc.

Floorplanning: The cost incurred by a dealer to purchase inventory in their dealership. More on dealership floorplanning can be found here, on the NADA website.

Gap Insurance: Exactly as it sounds, gap insurance provides supplemental coverage for the difference between the cash value of your car and the amount you owe your lender or leasing company at the time of a claim. For vehicles with steep depreciation, gap insurance can be an attractive option.

Car Buyer's Glossary of Terms

The terminology you need to know when buying a car

Terms

Interest Rate: The proportion of a loan that you are charged for the privilege of being lent money.

Invoice Price: The price a dealership pays the manufacturer for a vehicle they have purchased.

Lay down: This is dealer slang for a customer who accepts the first offer during negotiations, or chooses to not negotiate at all.

Limited Warranty: Manufacturers offer limited (in terms of scope and term) warranties on their new cars. Terms can be as few as a year or two, and scope frequently does not include general wear and tear items like tires and wiper blades.

Lease-end Inspection: The lease end inspection is mandated by the leasing company. The inspection includes recording the miles on the odometer, inspecting the vehicle for excess wear and tear, including such items as tire wear, scratches, dents, dings and windshield damage, and confirming that no aftermarket accessories were added to the vehicle. Oftentimes the lease end inspection is done by dealership personnel on the lender's behalf, or if a customer prefers, a third party inspection can be requested.

Money factor: The money factor is utilized by the leasing company to establish the interest portion of a lease payment.

Monroney Sticker: Also commonly referred to as a window sticker, the Monroney sticker is a federally mandated label on all new cars in the United States. Named for Almer Stillwell "Mike" Monroney, a U.S. senator from Oklahoma who sponsored the legislation in 1958, the Monroney sticker contains information on the MSRP, fuel mileage, country of origin and more. Ray wrote this guide to understand how to read a Monroney sticker.

MSRP: The Manufacturer's Suggested Retail Price is the factory's recommended selling price for a vehicle. Nine times out of ten, a dealership does not sell a car for it's MSRP. Most are negotiated below that amount, since the dealer can still make money.

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Car Buyer’s Glossary of Terms

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Out-the-Door Price: The total cost to purchase a vehicle. Also sometimes referred to as the “on-the-road” price. This includes all taxes, fees, and the selling price of the vehicle.

Rebate: A rebate is cash that is advanced to the customer by the manufacturer as an inducement for the customer to buy the car. In the vast majority of cases the customer opts to use the rebate amount as additional cash down on the purchase. The other option for the customer is to request that the manufacturer actually mail them a check for the rebate amount after the sale. This probably happens less than one percent of the time.

Residual Value: The residual value represents the expected value of a vehicle at the end of a lease term. Cars depreciate, and lease rates are determined based off of the expected residual value of a vehicle at the end of a term. Residual values differ for every car.

Service Contract
Generally synonymous with extended warranty (click here to go to extended warranty), a service contract is a dealer sold product that covers repairs or service beyond the manufacturer’s warranty.

Subprime Loan: Loans granted to individuals who have less than stellar credit scores. Typical subprime credit scores fall below 600. More on the credit scores car dealers use can be found here.

Term: The duration of a loan or lease as agreed to in your contract. Typically anywhere from 24 to 84 months.

Title: Issued by the Department of Motor Vehicle in each state, a title represents a vehicles proof of ownership. Note that if you finance your car the bank will hold the title (known as a lien) until the loan is paid off. Similarly, if you lease a vehicle, the leasing company will hold the title.

Trade-In: When you sell your vehicle to a dealership during the process of purchasing another car. The “traded-in” car’s value is put towards the sale price of the next vehicle.

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Trim Level: Cars, trucks, and SUVs come with a dizzying array of options. Trim levels are manufacturer created tiers of standard equipment and options. For example a BMW 3 series comes in four trim levels; 330i, 330i xDrive, M340i, and M340i xDrive. The model is a 3 series, the manufacturer is BMW, and the trim level is the 330i, 330i xDrive, M340i, and M340i xDrive.

Upside Down: Also referred to as "being under water," or "negative equity," this term refers to when you owe the bank more money than the vehicle's current value. A high percentage of people find themselves in this position when they go to trade their existing car in towards a new one, especially if they took out a lengthy loan.

Vehicle Identification Number Or VIN: A 17 digit identification number that is unique to each vehicle. A vehicle's identification number will include codes for year, make, body style and engine. VINs are typically found under the windshield or along the door jambs of a vehicle.

How to Lease a Car

The consumers' guide to leasing a car

What does leasing a car mean?

An auto lease is a long term rental agreement for a vehicle that is subject to specific terms and conditions. The lease terms are agreed upon by the customer and dealership and a third-party leasing company who actually takes ownership of the vehicle and then leases it to you.

The Capitalized Cost

Instead of negotiating an out-the-door price (which is the price of the vehicle plus all taxes and fees), you negotiate the capitalized cost (also referred to as the "cap cost") of the lease.
The cap cost is the amount that the leasing company is paying for the vehicle. This will include:

- The negotiated selling price
- Doc fee
- Miscellaneous fees
- Additional products

Some of these charges are negotiable. For example, you don't need nitrogen-inflated tires or security etching that you didn't ask for billed on your lease agreement«

Residual Value

The residual value is the vehicle's projected value at the end of the lease term. When you lease, you pay for the amount of depreciation that will occur over the course of the lease term.

For example, if the residual on a 36 month lease is .75 (or 75%), your lease will include payment that covers the 25% expected loss in value over the course of 36 months.

Key points

There are four parts to a lease:

1. The capitalized cost (which is the out-the-door price on a lease)
2. The residual value of the vehicle
3. The money factor
4. The state sales tax

How to Lease a Car

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The residual value is disclosed on the lease as the amount that you can purchase the vehicle for at lease end. Residual values are not negotiable and they are set by the leasing company based on allotted annual miles to be driven.

The Money Factor

The money factor is set by the lender and can be marked up to the consumer, much like on a car loan.

With a car lease, dealers make money by marking up the money factor on a lease. The lender charges the dealer a money factor of say, .00125, and the dealer marks it up 50, 75 or even 100 basis points. The difference between the buy rate (what the lender charges the dealer) and the marked up rate (what you're quoted) is additional backend profit on the lease for the dealer.

You should always try to negotiate the money factor to the buy rate or as close to the buy rate as you can get!

Sales Tax

Taxes in most states are added to the total price of the lease. NY, NJ, MN, OH, and GA charge sales tax upfront on the total amount of the lease payments. VA, MD, and TX charge sales tax on the total selling price of the vehicle (the cap cost). In all other states, sales tax is simply factored into your monthly payment. Sales tax is not negotiable.

Who owns the car in a lease?

The leasing company owns the vehicle that you are leasing from them. In most cases that will either be that automaker's captive lender (for example, Hyundai Motor Finance) or an outside bank. The vehicle will be registered in both the leasing company's name and your name as the lessee. You will be responsible for registration renewals, maintenance and all insurance.

How to Lease a Car

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Do car leases require a down payment?

No, but If you want to lower your monthly payment, consider making a down payment on your lease. In a car lease, the down payment is called a capitalized cost reduction, or cap cost reduction. These up front payments are optional, but they can help make leasing more affordable by lowering the monthly payments.

What happens at the end of my car lease?

These are your options at the end of a car lease:

- Return the car
- Buy the car
- Sell the car (if allowed)
- Move into a new lease

Pros and Cons to Leasing

Pros

- **Risk Mitigation** - When you lease, you transfer to the lender (bank) the risk of accelerated depreciation, diminished value due to damage/accident, and unexpected repair expense.§
- **Convenience** - Having the most modern platform, technology, and safety features. Plus, you will always be under the bumper-to-bumper warranty.
- **Flexibility** - No long-term commitment. You have options: turn-in, sell, transfer, buyout, or extend the lease if you need more time finding a replacement.
- **Financial** - In some cases, the net total ownership cost is less than financing a purchase.

Cons

- The car isn't yours. It is a long-term rental and other than the use of the vehicle you have nothing to show for the money that you have spent.
- Residuals are typically higher than the vehicle's fair market value at lease end which means if you buy out your lease at the end you will more than likely be paying too much.

How to Lease a Car

The consumers' guide to leasing a car

Cons (continued)

- Fees and costs. If your leased vehicle has a wear and tear beyond the limits set by the lending company (large scrapes, worn tires, broken windshield, etc.), you will be charged for repairs. Some lenders are known for billing excessive reconditioning fees.
- If you incorrectly estimate your mileage, you will overpay for depreciation.
- If you decide to turn in your lease, you will have to pay a disposition fee ($300 - $595) unless the lender offers to waive it.
- While most lease contracts include a GAP waiver, they require elevated liability coverages, increasing your insurance premiums.

What happens at the end of my car lease?

- For every $1000 in cap cost reduction on a 36-month lease, your monthly payment will be reduced about $27.
- The Money Factor and some of the Capitalized Cost **ARE** negotiable. Sales tax and residual values are not.
- You will be responsible for registration renewals, maintenance and all insurance.
- Leasing isn't for everyone, but it can be an affordable way to stay in a modern, new car.

End of Car Lease Guide

What to do at the end of a car lease

Option 1: Return the vehicle

When you return your leased car, it will be thoroughly inspected. This is called the "lease-end inspection."

It's important to understand that you may be charged fees for excessive wear and tear to the vehicle.

When you take your vehicle to the dealership they'll be looking for:

- Scratches or dings
- Window damage
- Interior damage such as burns or rips
- Excessive wear on the tires

Before you head for the dealership, you should ensure you have everything that came with the car to avoid additional fees. This means you'll want to bring both sets of Keys, make sure the spare tire is in the trunk, have the original floor mats in the vehicle, etc.

If you plan to simply return the vehicle, you should also be prepared to pay the lease disposition fee, which is often around $400. The exact amount is on your lease contract.

This fee is to cover the costs of reselling your leased car, and if you plan to return your vehicle (and not lease another vehicle from the same manufacturer), you cannot get out of paying this fee.

If you went over your mileage allotment expect to get a bill sent to you, and if you're terminating your lease before it's over, expect even more fees (you'll still need to mane your remaining lease payments).

Key points

Deciding what to do at the end of a car lease depends mostly on how you feel about the car and your financial situation.

End of Car Lease Guide

What to do at the end of a car lease

Option 2: Move into a new lease

It's likely that the dealership has contacted you in the months leading up to your lease-end to try and get you into a new lease already.

When you return a vehicle and then lease another from the same manufacturer they will waive the lease disposition fee.

The vehicle you are returning will still need to go through a lease-end inspection, so be sure to take a look at "Option #1" above to arrive prepared.

You may be able to roll any lease equity over into a new lease as well. Lease equity is the positive equity created when your car is worth more than the residual value stated in your lease terms. Lease equity typically only occurs when you have severely under-driven the mileage stated on your lease, or when you simply get lucky because of rising car values.

You should shop around before jumping into another lease with the same dealership.
We recommend **ALWAYS** negotiating a discount before leasing.

Looking for help with your lease? **Your CarEdge Coaches are ready to assist!**

End of Car Lease Guide

What to do at the end of a car lease

Option 3: Buy the car

You usually have the option of buying it outright at the end of you lease. In recent years, a few automakers have started to eliminate lease buyout options. Tesla no longer allows lease buyouts.

Why buy out your leased car?

- You know exactly how much you're going to pay for the car (the residual value set when you signed the lease contract)
- You know everything about the vehicle (since you have been driving it for the past few years)

Why shouldn't you buy out your leased car?

- You will end up owning an older car
- The value of your car will depreciate the longer you own it
- Monthly payments are often higher than leasing

Option 4: Buy a car

If your driving habits have changed, or perhaps how you think about a vehicle ownership has changed, you may want to consider buying a new or used car instead of leasing.

Our CarEdge Coaches are ready to help you make the best decision for your needs. We're real people helping drivers save real money.

Learn more about how we can help you today!

CarEdge

Am I Getting a Good Car Deal?

Ask yourself these questions when considering your deal.

Fair Price Verification

Is there a discount on the Manufacturer's Suggested Retail Price for the new car?

- **Action:** Verify fair pricing with a CarEdge Market Price Report.

Detailed Price Analysis

Does the itemized out-the-door price quote from the dealership reflect fair charges?

- **Review:** These are the fees you should never pay

Vehicle History (for Used Cars)

Check the history report for used cars to ensure there are no hidden problems or accidents.

- **Action:** Ask the salesperson for a copy of the CarFax, or any similar vehicle history report.

Finance and Insurance Preparation

Are you ready and informed to deal with the offers in the Finance & Insurance office?

- **Review:** Look over our finance office cheat sheet before you sign anything!
- **Tip:** Prepare to negotiate or turn down any offers in the F&I office.

Financing Terms

Ensure the terms of any financing or loan are clear, fair, and manageable.

- **Tip:** Can you qualify for a better rate with your credit score? How much would you save with a lower interest rate? Will the Finance Manager negotiate their rate?

Add-On Evaluation

Are the additional products and services offered necessary and worth their cost?

- **Review:** These are the add-ons to avoid, and those that may add value

CarEdge

Am I Getting a Good Car Deal?

Ask yourself these questions when considering your deal.

Add-On and Warranty Pricing

Have you effectively negotiated for fair prices on GAP insurance, maintenance plans, and Vehicle Service Contracts in the Finance & Insurance office?

- **Review:** Learn about fair pricing for GAP insurance.
- **Action:** Get a quote for extended warranty coverage to ensure that you're getting a fair deal.

Cancellation Policy Review

Can added products be refunded if you decide you don't want them?

- **Tip:** Every add-on is required to include a contract. See the contract's cancellation terms before agreeing to any add-ons.

GAP Insurance Necessity Check

Is GAP insurance necessary for your situation, considering your down payment and financing?

- **Review:** Our guide to GAP insurance to verify if you even need it.

Maintenance Plan Cost-Benefit Analysis

Are prepaid maintenance plans economically beneficial for you?

- **Action:** Do the math. How much would you actually save with a maintenance plan? Are you sure that you will use the plan benefits?

Personal Satisfaction Assessment

Are you content with the terms of the deal and the vehicle itself? What are the chances that you'll regret the purchase?

- **Tip:** If you're having reservations about the deal, or your ability to afford the vehicle, it's worth taking the time to step back and reconsider.