

Buying a New vs. Used Car

Nothing beats that new car smell ... except perhaps, scoring a great deal on the purchase price. A used car—even just one or two model years older—can cost considerably less than the newest version of the same car and may have more features. There are definite benefits to buying new, and just as many benefits to buying used. Before you embark on your car search, take a practical look at the benefits and drawbacks of buying new or buying used.

New cars will sport the latest and greatest features, newest colors and trendsetting perception. There is no question about maintenance history, prior accidents or driver handling. The euphoric feeling of driving off the lot as the premier owner of this new machine is unmatched by anything ... except the thought that it's no longer new as soon as you drive off the dealer's lot.

The value of a new car drops thousands of dollars the day it is purchased. If you're planning to drive your new car into the next decade and beyond, depreciation should have little effect on your decision; the value of your car is only relevant if you plan to sell it or trade it in. However, you may want to consider that if you are in an accident, the value of the car is what the insurance company will use to determine the amount of your payout.

Driving off the lot in a used car may not feel as glamorous as piloting a new car for the first time, but there are some definite benefits to being patient. For starters, all those bells and whistles that cost a premium in new cars often come standard, or at a considerable cost reduction, in used cars. Insurance premiums will be lower and if you pay an excise tax in your community, that will be lower as well.

These cost savings may come with a bit of risk. Buying used means someone else owned it, drove it and, maintained it (you hope). If you know the previous owner, you may have peace of mind; be sure to ask for all maintenance records and have the car checked by a trusted mechanic. Buying a certified pre-owned car from a dealer will include a warranty, but you may also want to have it checked by a professional.

Whether you buy new or used, the car will be new to you. Be sure to choose one that fits your lifestyle, needs and budget; here are potential benefits and drawbacks to consider.

New car benefits	New car drawbacks	Used car benefits	Used car drawbacks
Latest features	Highest upfront cost	Lower upfront cost	Unknown maintenance and service history
Low miles	Immediate depreciation in value	Slower depreciation	Higher miles
Best warranty	Higher insurance premium	Shorter loan term	Limited or no warranty
New car smell		Lower monthly payments	Second hand-others have driven
		Lower insurance premium	