

HOW TO WIN THE NEW CAR BUYING GAME And Save Thousands of Dollars



Bill Losey, CFP®, CSA "America's Retirement Strategist"



Bill Losey, CFP®, CSA, America's Retirement Strategist®, has been named one of America's Top Financial Planners by the Consumers' Research Council of America. He is a highly sought-after advisor, retirement authority, thought-leader and author because he makes the complicated and mundane topics of investing and retirement fun! (Want a good laugh right now? Check out his hilarious [baby boomer retirement movie](#). Please allow 30 seconds for it to load).

Bill has nearly 20 years experience in the financial services industry and is a Certified Financial Planner™ practitioner, a Certified Senior Advisor and Certified Retirement Coach. He is the author of [Retire in a Weekend! The Baby Boomer's Guide to Making Work Optional](#) (a 2008 Finalist at The Indie Excellence Book Awards), Founder of [National Retirement Planning Month](#), and he publishes [Retirement Intelligence®](#), an award-winning weekly newsletter that reaches thousands of subscribers worldwide.

As a qualified professional in the areas of retirement strategies and investment alternatives, Bill has been interviewed or appeared on the FOX Business Network, CW11 Morning News, Retirement Living TV, Leading Experts TV, the CBS Radio Network, BankRate.com, CNNMoney.com, Aol.com, SmartMoney.com, Morningstar.com, the Wall Street Journal Online, GrandParents.com, NationalPost.com, SeniorMarketAdvisor.com, ThirdAge.com, CNNfn, FOX's "Hannity & Colmes", Bloomberg Business Radio, and hundreds of radio stations nationwide. He is a former guest host of "Money Matters", a daily personal finance radio program simulcast throughout NY, NJ and CT, and formerly a financial commentator for RNN-TV.

Bill currently writes a weekly column in *The Saratogian* called "Making Work Optional", a monthly magazine column called "Dollars & Sense", and he is the Retirement Success Expert for Boomj.com, a baby-boomer social networking website. He has also appeared in *Financial Planning*, *Personal Excellence*, *Investment News*, *Kiplinger's Personal Finance*, *Inside Information*, *the Journal of Financial Planning*, *Triathlete*, *Senior Market Advisor*, *Reach!*, *Violet for Women*, *Boom News*, *Next!*, *The Albany Times-Union*, *The Richmond Times Dispatch*, *The Saratoga Business Journal*, *Saratoga Today*, *Senior Beacon*, *The Bergen Record*, *Northeast Pennsylvania Business Journal*, *Arkansas Aging*, *The Pacific Business Journal*, *National Underwriter Life & Health*, *TheStarPress.com*, *The Capital District Business Review* and *The Chronicle of Higher Education*. Bill's first book, [101 Stock Market Guarantees](#), was published in 2004.

In his leisure time, Billy, as his friends call him, loves to sing. He is an accomplished vocalist and has performed the National Anthem at Madison Square Garden, the Pepsi Arena and other sporting venues. His love of singing and knowledge of money, combined with his witty sense of humor and desire to fight financial illiteracy, come full circle with his development of hilarious financial-related song parodies found at [www.PerfectHarMoney.com](#).

Bill is a graduate of Marist College and obtained his certification in financial planning from The College for Financial Planning in Denver. He is a member of the Financial Planning Association, the Society of Certified Senior Advisors and the National Ethics Bureau. Active in his community, Bill has coached youth soccer and basketball, and has volunteered to help raise money for Special Olympics, March of Dimes, Make-A-Wish Foundation and the American Heart Association. Additionally, he has volunteered his time to advise individuals at the Financial Planning Clinic sponsored annually by the Certified Financial Planner Board of Standards Inc.

Bill has been married for nearly 20 years to his wife Tori. Together they have 3 sons, 2 dogs, and 5 fish.

Begin Transcript

Bill: Today is Wednesday, July 16, 2008. Good afternoon, everyone. Thank you so much for joining me on another National Retirement Planning Month teleseminar. Today's teleseminar is entitled, "How to Win the New Car Buying Game and Save Thousands of Dollars."

I'm Bill Losey, the founder of National Retirement Planning Month. I'm the publisher of *Retirement Intelligence*, a free weekly award-winning newsletter. I'm also the author of *Retire in a Weekend! The Baby Boomer's Guide to Making Work Optional*. For more information or to start your own subscription to *Retirement Intelligence*, visit www.MyRetirementSuccess.com.

Today's National Retirement Planning Month teleseminar, "How to Win the New Car Buying Game," will run approximately 60 minutes, depending upon the number of questions. I encourage you to submit your questions to Bill@MyRetirementSuccess.com, anytime during the call.

The purpose of this teleseminar is to give you the facts about dealer tactics and valuable insights that put you in control of the sale from start to finish. By its very nature, buying a car is an adversarial situation.

The dealer's goal is to maximize his profit. The consumer's goal is to negotiate the lowest possible price. As consumers, we have the right to get a fair price on the vehicle of our choice. In the automobile business, it's often difficult for most consumers to have a clear idea of what a fair price is or how to get it.

Simply put, this teleseminar is going to show you how to win the new car buying game while playing in the dealer's ballpark.

Barry Levine is my guest today. He is the founder of The Negotiators, Inc., representing the automobile buyer and the CarBuyer's Helpline. He has been actively negotiating and purchasing automobiles for over 19 years.

He started in the business in 1978. He spent eight years as a salesperson on showroom floors, four of them as salesperson of the year. Barry has also spent two years as a sales manager where he trained salespeople, appraised trade-ins, and set profit margins for the new car sales department. In addition to Barry's experience

in automotive sales, he also managed a credit union automobile leasing company.

At his firm, The Negotiators, they help you buy the car you want at the best available price. Along the way, they eliminate the haggling that makes most car shoppers nervous. They do all of this by taking your side in the deal, not the dealer's, and they handle all of the negotiations for you.

I had the pleasure of meeting Barry a couple of months ago at a local high school. I attended an adult education class by the same name that Barry put on. It was very timely because I knew I wanted something new and different for this month's National Retirement Planning month teleseminar series.

Equally as important, my wife and I were going to be in the market for a new car. After going through the class, I realized how little I knew about buying a car. We hired Barry, and he saved us \$1,500 to \$1,700 off the price of my wife's new minivan.

We appreciate that. I'm really glad you're on the call today. I want to do a flashback to get this started.

The year is 1987. I'm 22 years old. Prior to getting into the financial planning field, I worked as a radio announcer. I worked nights and weekends.

I was offered a full-time position as an adjunct professor in the media department at a college, running a college radio station. This job was about 45 minutes south of where I lived so I needed to buy my first car.

I borrowed my parents' car and drove to a Toyota lot. When I pulled in, a beautiful blue 1987 Toyota Tercel caught my eye.

I got out of my car and looked at the sticker on the window. It said \$12,700. I looked inside and saw that it was an automatic.

I walked into the showroom. A salesperson came over and asked, "Can I help you?" I said, "Yes, I want to buy that car."

We sat down, filled out the paperwork and it was over. What did I do wrong?

Barry: How long of a list do you want?

Bill: I want people to learn from my mistakes. After going through your class and hearing all the information, I realized that what I did was the exact opposite of what you should do.

Barry: There are a lot of things. First of all, before we ever walk into a showroom, we need to do some homework. We need to know what we're looking for.

When we walk onto a car lot like you did, and fall in love, we're in a lot of trouble. In the automobile industry, they call that a "lay down." In other words, you lay down in front of the car and say, "You can't move this car until I buy it."

Bill: That's pretty much how it was.

Barry: When we do a little research and establish parameters for ourselves, it goes a lot better. The first thing to do is decide how much I want to spend, either by money or by payment.

That doesn't mean I want to share that information with a salesperson. I want to know so that I'm playing in the right ballpark, so to speak. There's no sense in looking at a \$25,000 car if we're interested in a \$15,000 car.

Bill: When you walk into the showroom, don't the salespeople always ask you how much you want to pay?

Barry: It's not an unreasonable question. They don't want to show you a \$25,000 car if you're looking for a \$15,000 car. However, the next question will be how much of a payment you want to make.

That's the first no-no. It's the first thing I tell people. Never tell a salesperson how much of a payment you want to make.

Bill: Why is that?

Barry: The reason is that you're not buying a payment, you're buying a car. If you walk in and say, "I would like to make a \$300-a-month payment," you could walk out paying \$325 a month because they always get you to go up a little bit. You might have been able to get it for \$275 if you would have stayed on the price of the car rather than a payment.

One of the biggest mistakes consumers make is that they go in and if the car fits their payment, they buy it without any regard to the price of the car. Consequently, while it may be the payment they

want, they could have had a lower payment or they could have had more car to fit whatever it is they would like to do.

Bill: We've done a little bit of homework. We have an idea of how much we want to pay for a car, by either a monthly payment or the total price of the car, but we don't necessarily want to share that information with the salesperson. How do we know what a fair price for a car is?

Barry: That's a little more difficult. Before we even get to the price of the car, the next thing that we have to decide is what kind of car we want. In other words, in setting parameters, what do we need this piece of transportation for?

In your case, it was an inexpensive car with good gas mileage to get you to and from the radio station. Some people may have a family and need a 4-door or station wagon, which ages me a little bit. Today's station wagon is a sport-utility vehicle or minivan.

It's important to determine what we really need. We will walk into a showroom and if we don't have that set in our minds, we're going to buy whatever they need to sell. That's not always what we need.

We have to narrow it down to what we like. For example, we need a 4-door sedan. We would like it to have power windows, power locks, tilt steering wheel, cruise control, CD player and antilock brakes.

We just narrowed it down to about 50 different models. We have to somehow bring that down to a manageable number.

A good resource for consumers, besides the internet, is *Consumer Reports*. They talk about cars in an unbiased manner as to what's good and what's bad about them. They show pictures of them.

They rate them. They do not take advertising, so they are not influenced by the manufacturers. It's a good place to go to narrow it down.

My experience has told me that if you go into a showroom to look at cars and you find something you don't like about a car before you buy it, you're going to hate it after you buy it, so you can eliminate it for anything.

Sometimes the doors are too big. Sometimes there is too big of a space between the gas and brake pedals. It could be little or big

things. I have eliminated a car because the console cut my knee in a manner that made it uncomfortable to drive.

When I was selling cars, people would come in and their head would be almost to the car ceiling. They would say, "This car doesn't have enough headroom." I would recline the seat one notch, "Now you fit fine."

I'm not proud of that, but that's not necessarily what we really want to do. We can eliminate a car for anything.

Our goal is to get it down to three or four cars that fit our parameters. One of the things I use is its resale value. I don't want a car that's going to drop like a rock. I'd like a car that holds its resale value.

I'm also looking for a car that has a good frequency of repair rating. I'm not looking for a car that's going to stop into a repair station every time it drives by.

Some of that information is available to you on the internet and some of it through *Consumer Reports*. I use those as criteria for narrowing it down so we don't fall in love at the showroom with a car that, three years later, will be useless or spends a lot of time at a repair station.

Bill: One question we've received already asks about the good resale value factor. Is that important to someone, like myself, who actually wants to keep the car for 10 years or longer?

Barry: If you're someone who keeps a car until the doors fall off, resale value isn't important to you. Although it can be important in terms of how much of it you're going to finance, as to its value.

If you are going to finance 100% of the purchase and the car gets totaled, you'd like to get back at least what you owe. You'd like a car with good resale value if, for no other reason, you'd be in an equity position or as close as possible.

A long-term owner isn't concerned with resale value. They will, on the other hand, be concerned with frequency of repair.

Bill: Can you explain, in layman terms, being in an equity position versus not and what that actually means?

Barry: A negative equity position means owing more on the car than what it is worth. If an individual had the car for three years and they owe \$8,000 on it, but its wholesale value in the marketplace is \$5,000, that leaves a \$3,000 gap called “negative equity.” If a dealer were to give you \$5,000, you’d have to come up with \$3,000 or refinance that \$3,000 onto the next automobile.

Bill: You would be, in essence, rolling over the difference into a new car loan.

Barry: In today’s marketplace, it is an epidemic in our country. There’s a lot of negative equity out there.

Bill: Why do you think that is?

Barry: There are a couple of reasons. If people have decent credit, the lending sources are more than happy to lend them 100% plus sales tax. When we buy an automobile, the vehicle depreciates from invoice and it loses, conservatively, 10% to 15% in the first year. If we finance 100% plus tax, we’re immediately in negative equity.

Then if we have a circumstance like what’s going on today with gas prices, people with sport-utility vehicles, minivans and pickups are running them in to get better gas mileage vehicles. They are flooding the market with them and their values are dropping like rocks. Most of these people are in negative equity.

Bill: This next question is from a person who is interested in buying a new car, but they’re more concerned about what they can get for their existing trade-in. How can you get a good deal on your trade-in?

Barry: Your trade-in has several values. There’s a retail value. That’s a value that the dealer might sell it for.

It has a private party value. That’s what they call it in *Kelley’s Blue Book*. A private party value is a value that you might be able to sell it for by yourself. The third one is wholesale, which is what its true value is.

The reason the dealer retail and the consumer retail are different is that the dealer is willing to do things the consumer is not. The dealer is going to take a trade-in or finance the car through his finance sources. Depending upon the state laws, he’ll inspect the car. He will usually have a warranty on the car.

These are things consumers are not willing to do. The consumer needs to give the person a reason to buy it from them rather than getting a guarantee, inspection and all of the things a dealer can do for them. They have to sell for a little bit less than what the dealer would sell it for.

However, the wholesale value is the value that the dealer can turn the car around immediately. Normally they take it to car auctions, but there are wholesalers that come around to new car lots and buy the cars from the new car dealer, and then turn around and sell it to another dealer. It's the wholesale value that the dealer is actually putting into the car.

Dealers sometimes will play games with the numbers, however, especially when you're looking at a used car. They can inflate the price of the used car and then inflate the amount of money they're giving the consumer for their car, making them think that they are getting more money.

Bill: Give me an example of how that would work.

Barry: For example, let's say that a vehicle sits on a dealer's lot and he's asking \$9,000. Its retail value in the books is \$8,000, so he already has \$1,000 worth of "fluff." We come in with a car that's worth \$5,000 in wholesale, but we know what we're doing and we're not taking \$5,000. If he says he'll give us \$6,000, he just gave us that \$1,000 worth of fluff.

On top of that, he's willing to discount it another \$1,000 because he probably bought it for \$5,000, so there's \$2,000 worth of fluff that he gave us and now our \$5,000, we think we're getting \$7,000.

What I find the most important to do is to separate the two purchases. The first one is to negotiate the price of the car you are buying. The second is to negotiate the price on the car you're selling to the dealer. These are two separate transactions.

Your car is worth wholesale. Let's use a new car for example and the sticker price is \$20,000. That sticker is called the "MSRP," manufacturer's suggested retail price.

Let's say the sticker price is \$20,000. Very few people are willing to pay sticker price anymore. They will go in and the dealer will say, "I'll give you \$10,000 for your car." Now you have \$10,000 for your car, and the dealer wants another \$10,000 plus tax.

The problem is that if you didn't have a trade, you wouldn't be paying sticker price. I call it "smoke and mirrors" because you don't know how much you're really paying for the new car and getting for your used car. All you know is they want \$10,000 plus your car.

That's why we need to separate the two. If it is a \$20,000 car, we negotiate the best possible price on it. Then we introduce our trade.

Bill: The problem I see is that the automobile salesperson talks with dozens and dozens of people every single week. When people go in to buy a car and/or to trade in their car, that's something they probably only do every couple years. How is someone supposed to level the playing field?

You're saying to separate the two transactions. How can a layperson like myself separate those transactions?

Barry: When you walk in, the dealer's going to ask, "How much do you want to spend?" and "How much of a payment?" We have to have answers that won't raise red flags.

The answer to the question "How much of a payment do you want?" is "I'm not really sure how I'm going to pay for the car yet. I may even pay cash. Let's not worry about the payment."

We walk out on the lot and the first question out of their mouth is, "Are you going to trade that?" There we say the same thing. You say, "I'm not really sure. I may sell this to a relative. Let's not worry about the trade. Let's just talk about the car."

Bill: You want to act a little aloof?

Barry: Act aloof at all times. You mentioned that when we go in, the haggling makes us nervous.

My experience is that the general public usually has a feeling they're going to be taken when they go into a dealership. They're a little bit nervous. They tend to talk way too much.

The more we talk, the more hints and clues we give the salesperson as to our level of expertise. I'm not saying to be mean or nasty.

When we first go into a dealership, our goal is to find out as much as we can about the car that we're interested in. Ask questions. Listen to the answers.

Evaluate the answers so you can make a decision. We usually won't make that decision on the first visit anyway.

Bill: Barry, you've already talked about a couple of mistakes people make. Share with us more of the common mistakes people make when they walk onto the showroom floor.

Barry: The two biggest ones are the payment and allowing the dealer to include the trade. Another mistake is that the public needs to have more information before they go in.

One of the things we do is coach people. For the people who want to do this on their own, we'll coach them through the process. Once they decide on the car, even if there are three cars they would like, they can prioritize the three cars. They go after car number one first.

The first thing they need to know is what the dealer paid for that car. That's called "the invoice" of the car, or what the dealer actually paid.

There are a lot of ins and outs on invoices. The best way to get the invoice price, to the best of my knowledge, is on the internet. It is offered on many sites.

The problem is that there is an advertising charge on the invoice on the majority of cars in this country that the dealer pays. That's not included on the internet. We have to add a few hundred dollars for this advertising charge.

Bill: If I'm sitting at home and I want to buy a car, I can go on to the internet and find the invoice price of a car. You're telling me I should throw on \$200, \$300, \$400 extra for an advertising cost that my dealer may have paid but is not actually listed on the website?

Barry: Each of the manufacturers has what they call "DAG," or Dealer Ad Groups. In upstate New York, which is where I am, it is called the Upstate Ford Dealers. Each of these Ford dealers pays this advertising charge to the manufacturer. The manufacturer then rebates it to the Dealer Ad Group to pay for the advertising.

They don't all have it. Some of them include it in their pricing rather than itemizing it as an advertising charge. General Motors will charge 1% to 2% depending upon where in the country it is.

That's the problem. There are thousands of Dealer Ad Groups, and they all pay different numbers.

When you are in Albany, New York, you might pay \$300 on a car, but in someplace as close as Syracuse, you could pay \$350. A place like Los Angeles, California, may pay even more advertising, or less. It is different all over the country so it is not available on the internet.

Some manufacturers, like Honda and Nissan, build it into the price. GM and Ford charge a percentage. Chrysler always has an advertising fee. Most of them have advertising fees.

If you use \$200 to \$400, you're not going to be off by a lot. You don't have to be exact, but you want to be fairly close. It is important to have a good idea of what the dealer paid for the car.

All dealers, regardless of how big or small they are, pay the same price for the car. The destination charge might be different in different parts of the country. Certainly a destination charge is going to be higher to get to Hawaii than it is to the mainland.

Bill: You just mentioned that there are different websites that you can obtain this information. What are the top sites someone can find the invoice price?

Barry: The one I find the most user friendly is www.Edmunds.com. *Kelley Blue Book*, www.KBB.com, is a good resource also, although I find their evaluation of used cars to be a little higher than marketplace value. If you go to www.Google.com and type in "invoice pricing," you will have a list of hundreds of sites.

Bill: You're based about 20 minutes south of where I'm located, right in the middle of New York State. Do you offer your services to people nationwide or only in New York?

Barry: We offer our services nationwide. We've bought cars as far away as Hawaii and Alaska. We have bought cars in California, Texas, Florida and the Midwest. I have a lady in Indiana who leases a Cadillac from me every three years.

Bill: If a listener realizes that this is a little bit over their head and they want to hire you, what are the different services you offer and how does it work?

Barry: We bill ourselves as an automobile buying and leasing consulting firm. My job is to first give people accurate, unbiased information so they can decide what they want to buy. I can tell them some of the cars that meet the parameters they give me, have good resale value and good frequency of repairs.

Once they know what they want, then our job is to go out in their local marketplaces, find the vehicle and negotiate the price for them. If they have a trade, we'll help them evaluate the trade in their part of the country. We'll also negotiate with the dealer toward the value of that trade.

Bill: You can do all this over the telephone?

Barry: All of it is done over the phone, even locally. I rarely walk into a car dealership anymore. Every now and then, I have occasion to go in there for service, and I watch the salespeople. Even though I've been doing this for 30 years, it never ceases to amaze me that they still play the game the same way.

Bill: Susie in Seattle asks, "Does Barry have any special tips for buying a new high demand car such as a Prius or other hybrid?"

Barry: I wish I had something good to tell you. Due to the price of gasoline, the waiting period for a Prius is four or five months in the Northeast. Most dealers are charging sticker price. A few are charging over sticker price.

As long as our marketplaces continue to have gasoline between \$4 and \$5 a gallon, this is going to continue. It is not just on Priuses, but a lot of the cars that get high gas mileage.

This is the most unusual marketplace I've ever seen. I was selling cars back in the late '70s and early '80s when we had the gas crisis and you couldn't get gas.

It didn't matter how much it cost. We just couldn't get it, and people were in line. They were walking into dealerships and paying sticker price for these cars then also.

Bill: In your adult education seminar, you mentioned that the invoice must not include the rebate. Do you have to ask what deals, rebates or incentives are actually included in that?

Barry: That's a good question. If you're looking at the advertising on television or in the newspaper, it is very important to look at the

“squint print”. This is the little print at the bottom that tells you what’s really happening.

Most of the time, if the price is too low, it is because the pricing includes rebates and incentives. Sometimes there are even rebates that some people aren’t entitled to.

For instance, there are rebates for people in the military, first-time buyers and recent college grads. A lot of us are not entitled to these rebates. Therefore, the price of the car is somewhat misleading.

When we go in to negotiate a price, rebates are not part of the negotiations. The rebates are coming from the manufacturer.

They’re just like the rebates on a pack of batteries. You pay the asking price for the batteries, fill out a coupon and get a dollar back in the mail. The difference here is that we’re talking about thousands of dollars.

People want to use that rebate money toward the price of the car. The dealers allow that to happen. If you chose, you could buy a car, pay whatever the negotiated price is, and have a rebate check delivered to your door to use any way you want. Most people want to apply it to the price of the car.

You walk into a dealership and say, “I’d like to buy this car for \$18,000.” The dealer says, “Fine. We’ll do that, but it includes the rebate.” If it is a \$2,000 rebate, then you just paid \$20,000 for the car. They gave you money that wasn’t theirs to give in the first place, and they ended up selling the car at sticker price again.

Bill: They made an extra \$2,000 or so on the car.

Barry: I always tell people to separate the rebate because you’re going to get it at the end either way, and it does nothing but cause confusion. I also suggest that they leave sales tax out of the negotiations because as the price fluctuates, so fluctuates the sales tax.

Bill: I hear on the TV and radio that dealers are always trying to move cars by the end of the month. Do dealers have financial incentives to move cars off the lot?

Barry: There are a lot of reasons why dealers want the cars off by the end of the month. Rebates and incentives usually end at the end of the

month or the first couple of days of the next month. Sales contests end.

Most dealers finance the cars that they have on their lot. They have to pay interest on any of the cars left on the first of the month, so they have an incentive to move it off. That means the car has to be paid for by the last day of the month.

It doesn't mean we go in and buy the car on the last day of the month and pick it up two days later. It is counted as sold when the money is in the till.

Bill: Jack wants to know when the best time to buy a new car is.

Barry: It is the law of supply and demand, Jack. We would like to buy cars when there's nobody else in the showroom.

The best time of the year to buy a car would be the last 10 or 15 days of December. Most people are out doing holiday shopping. Not a lot of people give cars for Christmas presents.

However, sometimes we need a car when we need it. That's why we work with people to help them get the best possible price at the time they need a car, although I'll always try to do it at the end of the month if I can.

Bill: I recall you saying that walking into the showroom on a Wednesday and a Thursday are generally the least busy days because a lot of people come in on the weekends.

Barry: The two least busy days of the week for a car dealer are Wednesday and Thursday. Saturday and Sunday are the two busiest days because the whole family can go.

There's a statistic that says most people buy a new car within 72 hours of starting to shop. That means that on Monday and Tuesday, the people who didn't buy on Saturday and Sunday come back. Wednesday and Thursday become the two slowest days.

Bill: You also mentioned that the last hour or so that the showroom is actually open is a good time to go in too, right?

Barry: This isn't for shopping purposes. This is for buying purposes. If you're shopping for a car, you want information from the salesperson.

Once you make the decision of which car you would prefer and you're ready to negotiate, walk in at the last hour they're open. Many people have experienced this. Sometimes you sit there for two or three hours. If there's only one hour left, they're tired. They've been there all day. They want to go home. They won't play the games late in the day that they will earlier in the day when they have the time to do so.

Walking in at the end will cut out some of the game playing, but you have to be ready to buy. If you're just price shopping, it doesn't make any difference.

Bill: I'm assuming if it's not December and they need a car now, the last 10 to 15 days of any month would be good, too.

Barry: Absolutely.

Bill: Those financial incentives go away. You mentioned that Thursdays are generally a slower day. That's a good day to go in. If you're going to buy, go in the last half hour to an hour.

Barry: Manufacturers have rebates on their cars. They've been known to have bonus cash on those last 10 days of the month. Someone who bought a car on the 10th of the month may get \$500 less in rebates than someone who buys in the last 10 days.

Bill: My guest is Barry Levine, founder of The Negotiators, Incorporated and the CarBuyers Helpline. If people want to inquire about your services, what website can they go to and what phone number can they call?

Barry: Our website is www.CarBuyersHelpline.com. Our phone number is 1-800-836-4333.

Bill: We talked about a lot of things. I want to give a recap.

When people are walking into the showroom, hopefully they've done some homework beforehand. They have determined what sort of monthly budget they want to pay on a car, or at least they have established an idea of how much they want to pay in total for a car. That is information they should not be sharing with the salesperson.

They should also try to narrow down their focus to three or four cars by looking at magazines like *Consumer Reports* to see which cars have a good resale value and a good frequency of repairs. If they

have a trade-in, they should try to do a separate transaction from the purchase.

The one thing you said they need, without a shadow of a doubt, is the invoice price of the car. You mentioned www.Edmunds.com as the site they should be looking at.

Barry: It's one of the better ones.

Bill: What are some other questions people typically ask you? What are some of the other mistakes people make and things we should be aware of?

Barry: We're going to be armed with a lot of information. We're going to negotiate a price for the car eventually, and everyone is going to be happy with that price.

Now it's time to reintroduce the trade. We will negotiate the price and say, "In case I decide to trade in my car, what would you give me?"

The salesperson is not going to like this. They're going to say, "We took all of the cream out. All we can give you is wholesale," which is what you'll get anyway. Wholesale is fine.

The problem is, if we don't know what wholesale is or have a pretty fair idea of it, we're not going to know what's fair and what isn't. While we may have gotten a nice price on the new car, we could give it back on the used car. We need an idea of what the value of our car is.

Normally I would say that *Kelley Blue Book*, which is www.KBB.com, gives you a fair idea, but in the marketplace with the high gas mileage and what's happening with the cars that don't get good gas mileage, it can be off a little bit and a little bit high.

At least it gives you some idea. At least it's not a little bit low. If you start off a little bit high, you can always compromise.

Bill: This question is from Barbara in New York. She wants to know when it makes sense to buy a car instead of leasing or vice versa.

Barry: Leasing is a whole other topic. The typical lessee is somebody who drives 15,000 miles a year or less and wants a new car every two, three or four years. There are advantages and disadvantages to leasing.

Your payment is normally lower because you're only paying for the portion of the car you're using. Your car is usually under warranty, depending on how many miles you have in your lease. That is a good thing.

You're in a new car every three years, using three years as an example. You're always taking advantage of the latest technology.

For people who keep a car until the doors fall off, like the other listener who said they keep their car for 10 years, it is more expensive to lease a car then buy it at the end of the lease, especially if you have to finance the purchase.

Bill: That was another question that just came in. A person has a lease that is coming up in the next three months. They're considering buying the car at the end. Is that a good idea?

Barry: A lot of that has to do with what the value of the car is in relation to what the residual value is. It's called the "lease end value" or "residual value." It's in the lease. It says that you can buy the car for X at the end of the lease.

Remember, when you buy the car at the end of the lease, you have to pay sales tax on the purchase. Let's say the purchase price is \$10,000, but the wholesale value of the car is \$7,000. Wouldn't we be better off walking away from that and letting it go?

Some of the exceptions to that are if it's a very clean used car, if it has low mileage and if you don't want to let it go. Sometimes necessity is the mother of invention. We don't want to go to a new car.

This is the best used car that we're going to get, and we know it. We've maintained it. Sometimes we just do it anyway.

Bill: I want to spend the last 10 to 15 minutes talking about what happens next in the showroom. We've done our homework. We've determined our price. We've made our offer. The offer has been accepted. Then we sit down and start doing the paperwork.

There is a whole bunch of stuff that goes on with the business office. The salesperson is always going back to talk to the manager and coming back, walking back and forth. What the heck actually is going on in that back room?

Barry: Before we go into the back room, let's talk about that offer. Most places want you to make an offer. It's okay to make an offer if you know what the invoice is and what a decent offer is.

That's goes back to a question you asked earlier. "What is a fair price?" That's a very difficult question to answer. As a general rule, a fair price to both parties is 2% to 3% above invoice.

Since it's a negotiation, and we're using the word "negotiation," our offer has to be lower than that. I don't recommend we make an offer at invoice price. We don't want the dealer to know what we know.

That's very important, so we make an offer a couple of hundred dollars below invoice, knowing that we've set a goal of 2% to 3% above invoice. Then we can make an offer.

It's like when we buy a house. We give them a deposit. We make the offer.

If they take the offer, we just bought the vehicle. If they don't take the offer, they're going to counteroffer us. Our job is to counteroffer them until we're satisfied with a price that meets our goal.

Having a goal is very important. If we don't set a limit as to the most we're willing to pay, we'll pay something and buy the car. It's important to have a goal to walk.

Bill: Let's play. I have done my homework. I have determined how much I actually want to pay for a car. It's one that has good resale value and frequency of repairs.

I don't have a trade-in. I got the invoice price from Edmunds. I find out that the invoice price is \$20,000 for this example.

You're saying that because I'm an educated consumer ready to make an offer, I should offer them somewhere around \$19,400, \$19,500 or \$19,600?

Barry: Yes, offer something around there. There is some common sense involved. That's the law of supply and demand.

We'll go back to that Prius. The supply is nowhere near the demand right now. That doesn't apply to the 2% to 3% rule. You need to use some common sense.

If we're looking for a sport-utility vehicle and there are 40 of them when we walk onto the lot, we'll ratchet that down. It won't be 2% to 3%. It will be 1% to 2% or less because they want to get rid of those.

If we're looking for a Prius or a high gas mileage car, we may have to ratchet it up a bit just to get it. We need some common sense.

Bill: We've made the offer. Tell me about that back room.

Barry: There are two back rooms. One is when we make the offer. The salesperson in most dealerships is not authorized to accept or deny any offers.

He has to take it to the sales manager. He goes to the sales manager, and they talk over strategy.

A lot of times people ask, "What are they really talking about in there?" I can't tell you what most of them talk about. I can tell you that all we talked about was strategy to get you to pay more for the car.

We weren't going to accept anyone's offer. If we accepted the offer, they would wonder if they got the best possible price. We always bumped them a little bit to make them feel like they worked to get the price.

That's my office. We were just plotting strategy.

The first question we were always asked when we brought a deal to the boss was, "How much more can you get?" Then we would talk about how we were going to get it.

Once the deal is struck, then they take you in to the business office. They tell you, "This is the place that will schedule your delivery," but in reality, this is the most dangerous place in the dealership.

Bill: This is the actual business office?

Barry: It's called the business manager's office. In reality, he is called the F&I person, Finance and Insurance. Their job is to get you to finance through the dealership because the dealership makes money on the financing. They also make money on insurance, so they will try to sell you life, accident and health insurance on the loan.

In most dealerships, they also will sell you rust-proofing, fabric protection, paint sealant and darn near anything else in the dealership that's not nailed down. They will give you etch-a-sketch on the windows to keep it from being stolen, puncture-proof tires and scratch-resistant paint sealant. Also, extended service plans are available.

Bill: How many of those extras are really worth it?

Barry: On the financing, I recommend that people make some phone calls and find out what the financing is. If you're a member of a credit union, check with your credit union. They usually have good rates.

I would also check with savings banks because savings banks tend to have lower interest rates than commercial banks. Commercial banks don't make their living on car loans. They make them on commercial loans.

We work really hard to get a good price. We buy a car for \$300 over invoice. If we're financing \$20,000, and the dealer charges us 6% but buys it for 5%, he makes 1%.

That's only \$200 we've saved, but that's per year, which means they just made \$1,000 more back from us in the business office. We have to be very careful about that.

The other thing is extended service plans. This is a matter of opinion, so I give both sides of the story.

I sit there and think, "You're selling me a car and telling me that after three or four years, I'm going to need this? Maybe I'm buying the wrong car." That's the way my mind works.

However, for those people who are insurance minded, that's exactly what it is. It's an insurance policy.

These are machines. Even the best machines have things that go wrong or are defective. If you have the coverage, you're glad you have it. If you don't have the coverage, you wish you did.

On the other hand, they're expensive. If it's \$1,500, you're betting \$1,500 that you'll have something go wrong with the car that's going to cost you at least \$1,500 after the warranty is over. That's a weird bet. If I had the \$1,500, I would put it in the money market and self-insure.

I bought an extended service policy on a used car and was really glad that I did.

Bill: I seem to recall from our workshop that you mentioned how dealers actually make more money in the service department and on parts, extended service plans and warranties than they do on new sales.

Barry: Nobody could keep their doors open if they were making 1% or 2% profit on their cars. This is not at every dealership, but certainly at most American dealerships, the new car department is a loss leader for them.

You buy a car from the dealer and want to have it serviced there. They make far more money on the service and parts than they do on the car, certainly in percentage.

Bill: What about with used cars or pre-owned cars?

Barry: The pre-owned used cars are a higher percentage of profit for them. They make far more money on a used car.

Bill: We are just about out of time. I want to thank you so much for being my guest today on our National Retirement Planning Month teleseminar. If people want to learn about your coaching services or hire you to negotiate their next purchase or lease, how can they get hold of you?

Barry: The phone number is 1-800-836-4333. My email is BLevine@CarBuyersHelpline.com and the website is www.CarBuyersHelpline.com.

Bill: You work with people nationwide.

Barry: I work with people anywhere in the country.

Bill: Ladies and gentlemen, thank you again for joining us. I hope you learned something today and found that it was time well spent.

I want to remind you to start your subscription to *Retirement Intelligence*, my free, award-winning newsletter. You can learn tips, tools and techniques that will enhance your health, wealth and happiness. You can start the free subscription by visiting www.MyRetirementSuccess.com.

Before I go, I want to let you know that we have one more teleseminar planned for National Retirement Planning Month.

That's coming up in two weeks on Wednesday, July 30 at noon Eastern, 9:00 a.m. Pacific. I'll be interviewing bestselling author, Ernie Zelinski. He'll be talking about *The Joy of Not Working*.

This is Bill Losey saying so long for now. Until next time, take care of yourself and make it a great day.

End Transcript

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