

TIPS ON BUYING A TEEN'S FIRST CAR

A major milestone in a teen's life is earning a driver's license. It means freedom and fun for the teen, but it can certainly be a time of joy and/or panic for parents. If you have a newly licensed driver in the family, you may be discussing your family's car situation and wondering if you need to add another set of wheels. Making a purchase of this size can be a great teachable moment for families on finances, responsibilities and smart choices.

Check your budget.

The driver's test has been passed and it's time to talk cars. Before sitting down to talk to your teen, take a look at your finances to see what fits your budget. Consider purchasing a car for which you can pay cash immediately to avoid monthly payments. However, if you can't do that, decide if you can afford to add a monthly car payment to your budget. What about the added expenses for insurance, gas and maintenance? This would be a great time to sit down with your CPA and discuss your finances. Determine to what extent the teen will have "skin in the game," or be contributing financially to the purchase, insurance, taxes, gas and maintenance. If a car payment fits into your budget, do you want to buy a gently-used or new car for your teen?

Know your options.

What if your teen saved up some money for a car and you matched it? Have you thought about buying a car for yourself and giving the older car to your teen? If you go that route, at least you would know the car's history and your teen would already be familiar with the car. If you decide to get a car and need a car loan, talk to your bank or credit union before looking at cars. You might get a better financing rate and it could be a bargaining chip to use in order to get the best rate available at the dealership.

Some parents may feel like leasing a car is a good option to immediately offer a newer car with the latest safety features at a lower monthly cost. However, note that at the end of a three-year lease, you have to turn the car back in to the dealer. At that time, you would be financially on the hook for every scratch or ding, as well as any miles driven over your contract amount. Further, you likely would have shelled out around \$10,000 in monthly lease payments and would suddenly need to start over. On the flip side, had you purchased a gently-used car for that amount, you likely would have paid the same amount over the course of the lease and would then have a car you could trade in on a newer model or have a car that is paid off for your young adult who now doesn't have to worry about monthly car payments.

Have the talk.

If you decide to purchase a car for your teen, sit down and discuss what is financially feasible for your family's budget. Discuss payment, maintenance, insurance and consequences for tickets and other violations. When talking with your teen, remember what he or she has in mind may be completely out of your price range or not be the most dependable car model for a young person. It's best to get on the same page before you step foot on a car lot.

Know your stuff.

Before going out in search of a new or used car, get an idea of what you are looking for and make a list of what you want on a car then do some research. Thanks to the internet, you can look at cars on manufacturers' websites and most local dealerships. In addition, you can look up government crash test ratings online at the National Highway Traffic Safety Administration's website at SaferCar.gov or find top safety picks at the Insurance Institute for Highway Safety's website at ihs.org. You can also find out what a good price would be on a car given it's age, mileage and condition at Edmunds.com, kbb.com, truecar.com and others.

Take a test drive.

After you have narrowed down your car choices, head to the car lot to take the cars for a spin. Take your teen along so everyone will get a feel for the car. Be sure to test a few cars before making a final decision.

It's time for negotiations.

After you do the research, take a test drive and find the one you like, you're better equipped to negotiate a price. Don't be afraid to ask for a better price or to walk away if you feel a deal can't be made. You can look at other dealerships and find a reasonable price you are comfortable paying.

Keep records.

Keeping records of discussions will help you remember and clarify in detail of what was agreed upon in the car purchasing arrangement.