

Used and New Cars by the Numbers

Our latest book, *Car Bargains*, takes the guesswork out of buying a car by providing AIER's proprietary research plus information on a host of reliable consumer services. The excerpt below outlines some tools for getting the best deal.

by AIER Research Staff

Millions of cars are traded in every year, many of them with relatively low mileage. In addition, millions of leased cars are returned to dealer lots annually. These leased vehicles are usually well kept and in much better condition than the fleet cars of years past because of contract stipulations, including limitations on the number of miles to be driven.

So used-car buyers have a wide range from which to choose.

Later models aren't physically deteriorating as fast as their predecessors because of improvements in quality. The average age of vehicles in the United States has been rising, and in 2008 was at 8.8 years, which represents a 10 percent increase from 1999. This trend is expected to continue.

This improvement in quality, coupled with the glut in used cars, means that it is possible to get a good deal on a two- or three-year-old used car.

According to AIER's new book *Car Bargains*, for example, the 2004 Lexus LX470 V8, one of *Consumer Reports* recommended used cars, currently sells for approximately 47 percent of its original manufacturer's suggested retail price.

The trend toward longer warran-

ties also has made used cars more attractive. The standard bumper-to-bumper warranty used to run for three years or 36,000 miles. Some automakers now offer warranties for four years and 50,000 miles, or even longer. Power-train warranties, which cover the car's engine and transmission, may run as long as 10 years or 100,000 miles.

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Many warranties also can transfer from one owner to the next, but do check before you buy a used car. Some used cars that have been certified by carmakers carry additional warranties. For example, Toyota's certified used vehicles carry a seven-year, 100,000-mile, limited factory warranty.

Budget-conscious buyers should have relative ease finding a recommended late-model car selling at a good discount from its original price. Even if you can afford a new car, resale prices of cars currently are low and would seem to favor used-car purchases over new-car

purchases. Of course, there still are bargains to be had on new cars.

If you decide to shop for a used car, there is a simple way to determine which models may be the best buys. Some cars that have been judged roadworthy by independent auto analysts have depreciated in dollar value much more rapidly than others.

If you are thinking of buying a new car, you want to buy one that will retain its resale value as long as possible, and avoid those cars that depreciate quickly—even if they have been tested and found to be mechanically reliable.

On the other hand, if you are shopping for a used vehicle that you plan to drive for a long time and have no plans of reselling it, a car that has had high depreciation can offer the best value. You can obtain inexpensive, reliable transportation by choosing an expert-recommended model that has depreciated faster than most others.

Car Bargains, AIER's latest book, contains extensive lists of *Consumer Reports* recommended used vehicles according to their resale values expressed as a percent of the original manufacturers suggested retail price. The tables show substantial

differences in the extent to which different makes and models have depreciated.

The tables also show the resale value as an approximate percent of the cost of purchasing a similar 2009 model. Vehicles that depreciated more than other recommended models or with resale prices that are a relatively small percent of the current cost of purchasing a similar new model are likely to be good buys. The vehicles with resale prices that show both high depreciation and sell for a relatively small proportion of similar new models are probably the best buys.

The accompanying table taken from *Car Bargains* lists recommended used cars for model year 2004. Suppose you are looking for a mid-sized car. Two cars that fit this description in the table, with roughly the same size and original sticker price, are the 2004 Hyundai Sonata (4-cylinder) and the 2004 Honda Accord (4-cylinder).

The Sonata appears near the top of both columns. The average retail value of a 2004 Sonata in April 2009 of \$6,068 was only 37.9 percent of its original sticker price of \$15,999 and only 30.5 percent of the 2009 sticker price for a comparable new Sonata (\$19,900).

Compare those differences with the comparable Honda Accord. The \$11,330 average retail value of a 2004 Accord was more than 71 percent of its original sticker price and 46 percent of the sticker price for the 2009 model. The Sonata not only has a lower price than the Accord, but has a lower price relative to the car's original cost (38 percent vs. 71 percent) and to the cost of a new model (30 percent vs. 46 percent). The Sonata provides more car for the money.

Whether you are buying new or used, there are a number of consumer services that provide valuable price information.

Determining the actual dealer cost as shown on the factory invoice (and manufacturer rebate or dealer

holdback, if any) of the vehicle you want gives you an important advantage when it comes time to negotiate. You'll know the difference between the sticker price and the dealer's actual cost. That amount—sometimes worth thousands of dollars—gives you room to negotiate.

Let the salesperson know at the outset that you have obtained the dealer cost, and start negotiating

with it, not the sticker price. In other words, force the salesperson to work up, instead of you trying to beat the price down. Typically, you can buy most vehicles for 4 to 8 percent over factory invoice. But expect to get a better deal on less popular models and to pay more for vehicles in high demand.

Consumer Reports offers a computerized price-and-options printout for most new cars. You

Comparison of 2004 Recommended Used Vehicle NADA Retail Values

<i>As % of Original M.S.R.P.</i>		<i>As % of 2009 M.S.R.P.†</i>	
Lincoln Town Car-V8	30.6	Lincoln Town Car-V8	27.0
Buick Century Custom-V6	31.4	Hyundai Sonata-4 Cyl.	30.5
Chrysler Crossfire-V6	32.0	Mercury Sable-V6	30.9
Buick Lesabre Custom-V6	34.2	Volvo S80-I6	32.0
Buick Century-V6	34.3	Mazda Tribute-4 Cyl.	35.1
Buick Regal LS-V6	35.0	Mercury Grand Marquis-V8	36.1
Volvo S80-I6	35.7	Lexus LS-V8	37.6
Mercury Sable-V6	37.2	Lexus SC-V8	38.7
Ford Crown Victoria-V8	37.8	Hyundai Santa Fe	39.7
Hyundai Sonata-4 Cyl.	37.9	Volvo V70-5 Cyl.	40.4
Mitsubishi Endeavor-V6	38.5	Chevrolet Avalanche 1500 -V8	41.8
Volvo V70-5 Cyl.	40.0	Volvo V70-5 Cyl.	41.9
Lexus SC-V8	41.3	Dodge Ram 2500 Pickup-V8	42.6
Infiniti I35-V6	41.4	Honda Accord-V6	42.7
Chevrolet Avalanche 2500 -V8	43.2	Hyundai Elantra-4 Cyl.	42.8
Lexus LS-V8	43.6	Mitsubishi Outlander-I4	43.3
Mazda Tribute-4 Cyl.	43.6	Honda Civic-4 Cyl. Hybrid	43.5
Mercury Grand Marquis-V8	43.9	Ford Explorer Sport Trac-V6	43.6
Chevrolet Avalanche 1500 -V8	46.0	Lexus ES-V6	44.3
Volvo V70-5 Cyl.	46.7	Ford Escape-V6	44.8
Lexus LX470-V8	47.4	Honda Odyssey-V6	44.9
Lexus ES-V6	48.2	Mercedes-Benz C Class	45.7
Honda Odyssey-V6	48.3	Lexus IS-I6	45.7
Honda Pilot-V6	48.6	Mazda MX-5 Miata-4 Cyl.	46.2
Hyundai Elantra-4 Cyl.	48.7	Honda Accord-4 Cyl.	46.2
Subaru Legacy-6 Cyl.	48.8	Nissan Xterra-V6	46.5
Lexus GX470-V8	49.7	Lexus GX470-V8	47.0
Mitsubishi Outlander-I4	50.3	Acura TSX-4 Cyl.	47.5
Lexus IS-I6	50.5	Honda Pilot-V6	47.6
Hyundai Santa Fe	50.8	Nissan Frontier King Cab-4 Cyl.	49.3
Ford Escape-V6	51.8	Subaru Legacy-6 Cyl.	49.8
Ford Explorer Sport Trac-V6	51.9	Toyota Highlander-4 Cyl.	50.8
Dodge Neon-4 Cyl.	52.0	Subaru Legacy-4 Cyl.	50.8
Acura TSX-4 Cyl.	52.3	Toyota Camry-V6	51.4
Infiniti G35-V6 Sedan	52.5	Toyota Tundra-V6	52.3
Dodge Ram 2500 Pickup-V8	52.5	Nissan Titan Crew Cab-V8	52.6
Honda Civic-4 Cyl. Hybrid	52.7	GMC Sierra 3500 Pickup-V8	52.8
Mazda MX-5 Miata-4 Cyl.	52.9	Subaru Forester-4 Cyl.	53.2
Honda Accord-V6	53.1	Toyota 4Runner-V6	53.8
Toyota Sequoia-V8	53.4	Honda Element-4 Cyl.	54.2

can order these by calling (800) 888-8275. They cost \$14 for the first car report, and \$12 for each additional report ordered at the same time.

The 10- to 20-page documents are delivered by fax or mail or viewable online. Each includes invoice prices for all factory-installed options and packages, current national rebates, safety ratings, and unadvertised dealer incentives and holdbacks.

New car buyers should consult the

April issue of the magazine, which lists new and used cars that are “good bets.”

Consumer Reports also provides reports on used cars. The cost is \$12 and the phone number for ordering is (800) 258-1169. The reports include price estimates, a reliability summary, and negotiating tips. Price information is also available in the National Automobile Dealers Association’s *NADA*

Official Used Car Guide.

On the web, Edmunds (www.edmunds.com), Kelley Blue Book (www.kbb.com), and the National Automobile Dealers Association (www.nadaguides.com) provide pricing information on new and used cars, as well as reviews and information on the latest rebates and incentives.

For used car buyers, it is a good idea to browse the websites of CARFAX (www.carfax.com) and AutoCheck (www.autocheck.com) and obtain vehicle history reports. These can tell you whether a specific vehicle has been totaled or salvaged, experienced flood damage, or had other problems that may affect its safety or resale value. Typically, dealers provide such reports when requested. When buying from private individuals, obtain the vehicle identification number (VIN) from the seller, and order a history report before negotiating on the price.

At the website of the National Highway Traffic Safety Administration (www.nhtsa.gov) you can find front- and side-impact crash-test results and rollover resistance ratings, as well as information on recalls, defects, and consumer complaints for each model. To see only the rollover ratings, go to www.safercar.gov. The Insurance Institute for Highway Safety provides additional crash-test results at its website, www.iihs.org.

The American Institute for Economic Research is not connected in any way with these organizations or websites, but we believe the services they offer may be valuable to car buyer.

Car Bargains contains AIER’s proprietary research about used car values for 2004 through 2008. The book also discusses current trends in the auto market, leasing versus buying, and ways to protect your investment. A complete copy of this practical guide is available for \$6 to members. See back page for ordering information.

Comparison of 2004 Recommended Used Vehicle NADA Retail Values (continued)

As % of Original M.S.R.P.		As % of 2009 M.S.R.P.†	
Subaru Forester-4 Cyl.	53.9	Ford Ranger-V6	54.4
GMC Sierra 3500 Pickup-V8	54.1	Toyota Camry-4 Cyl.	55.2
Lexus RX330-V6	54.2	Porsche 911-6 Cyl.	55.7
Toyota Highlander-4 Cyl.	54.3	Toyota Prius-4 Cyl.	56.1
Subaru Legacy-4 Cyl.	55.7	Honda Civic-4 Cyl.	56.1
Toyota Camry-V6	55.9	Honda CR-V-4 Cyl.	56.5
Infiniti G35-V6 Coupe	56.4	Toyota RAV4-4 Cyl.	57.1
Acura RSX-4 Cyl.	56.5	Scion xB-4 Cyl.	57.8
Pontiac Vibe-L4	57.0	Pontiac Vibe-L4	58.3
Toyota Camry Solara-4 Cyl.	57.4	Toyota Corolla-4 Cyl.	58.4
Toyota Tundra Double Cab-V8	59.2	Toyota Tundra-V8	59.0
Mercedes-Benz C Class	59.5	Mazda Mazda3-4 Cyl.	59.7
Toyota Tundra-V8	59.5	Toyota Matrix-4 Cyl.	60.5
Nissan Xterra-V6	59.5	Toyota Tundra Double Cab-V8	60.5
Nissan Titan Crew Cab-V8	60.2	Subaru Impreza-4 Cyl.	60.6
Toyota 4Runner-V6	61.3	Toyota Tacoma-4 Cyl.	72.7
Toyota Camry-4 Cyl.	61.7	Toyota Tacoma Double Cab-V6	74.3
Toyota Prius-4 Cyl.	61.7	Toyota Tacoma-V6	78.3
Porsche 911-6 Cyl.	61.9	Buick Century Custom-V6	n.a
Subaru Impreza-4 Cyl.	62.6	Chrysler Crossfire-V6	n.a
Honda CR-V-4 Cyl.	63.2	Buick Lesabre Custom-V6	n.a
Honda Element-4 Cyl.	64.3	Buick Century-V6	n.a
Ford Ranger-V6	64.8	Buick Regal LS-V6	n.a
Scion xA-4 Cyl.	66.4	Ford Crown Victoria-V8	n.a
Scion xB-4 Cyl.	66.5	Mitsubishi Endeavor-V6	n.a
Mazda Mazda3-4 Cyl.	68.0	Infiniti I35-V6	n.a
Nissan Frontier King Cab-4 Cyl.	68.6	Chevrolet Avalanche 2500 -V8	n.a
Honda Civic-4 Cyl.	69.5	Lexus LX470-V8	n.a
Toyota Corolla-4 Cyl.	69.5	Dodge Neon-4 Cyl.	n.a
Toyota Matrix-4 Cyl.	70.5	Infiniti G35-V6 Sedan	n.a
Toyota RAV4-4 Cyl.	71.2	Toyota Sequoia-V8	n.a
Honda Accord-4 Cyl.	71.3	Lexus RX330-V6	n.a
Toyota Echo-4 Cyl.	71.7	Infiniti G35-V6 Coupe	n.a
Toyota Tundra-V6	73.7	Acura RSX-4 Cyl.	n.a
Toyota Tacoma-V6	88.1	Toyota Camry Solara-4 Cyl.	n.a
Toyota Tacoma Double Cab-V6	90.3	Scion xA-4 Cyl.	n.a
Toyota Tacoma-4 Cyl.	95.4	Toyota Echo-4 Cyl.	n.a

From *Consumer Reports* list of “Reliable used vehicles,” April 2009. † Same or comparable new model; n.a. indicates no comparable model available.

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2009 Edition

Whether you are buying your first car or seek a new, reliable vehicle, *Car Bargains* is packed with information and tables that can help you get more bang for your buck. Learn how to manage your automobile expenses, decide to buy new or used, compare rebates and interest rates, and much more. Syndicated personal finance columnist David Uffington adds:

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