

BUYING A CAR IN HAWAII

So you've made it to Hawaii and you've decided that you need a vehicle to get around. What's next? This article will assist you in finding exactly what you're looking for while addressing several issues that may come up in your search.

New versus Used

The first question you must ask yourself is whether you are in the market for a new or used car. There are pros and cons with each choice. A new car is tempting because it is has all of the latest features. It has zero wear and tear to go along with that new car scent. Additionally new cars will generally have a manufacturer's warranty that will cover the cost of most repairs for the first several years of ownership. This is extremely important because a new car is likely to require some type of repair during the ownership period. Considering the technologies employed in modern cars, these repairs can end up being very expensive without a warranty. On the other hand, new car buyers pay a premium for these advantages. New cars usually depreciate rapidly following the initial sale and will only appreciate in very rare circumstances. For this reason it is important to consider how well a car will hold its value. For instance, a Toyota, known for reliability, will be worth more after 5 years than a similarly priced car of questionable quality. Look up the resale values of the cars that you are interested in.

A used car can be an excellent alternative to a new one. The sheer variety of options is one of the main advantages of going this route. An older used car will be cheaper but the odds of it requiring repairs will be higher. Since it is older, it will mostly likely not be covered by a full warranty and you would have to foot the bill. Another option is a newer used car. Many of these are still under the manufacturer's original warranty and thus will provide the buyer with some protection. Many dealerships will sell the cars that are returned to them following a 3 or 4 year lease. In some cases, the dealer will even extend the warranty as an extra incentive to the buyer. These are known as certified pre-owned vehicles. Certified pre-owned cars offer many of the benefits of new cars but at a lower price and should therefore be strongly considered in any search.

Leasing versus Buying

When shopping for a new car, you will be presented with two options. You can either buy the car, usually via a car loan, or you can lease the car. Once again, there are advantages and disadvantages with each choice.

Leasing a car will mean lower monthly payments. With a lease you are essentially renting the car by paying for the estimated depreciation. At the end of the lease term, the dealer will regain possession of the car and attempt to sell it, leaving you, the lessee with nothing. Leasing is an option if you want a nice car and don't want to pay the extra money to purchase the car outright. However, it is very important to note that a lease will

often have many restrictions on your use of the car. For instance, if you drive over a certain limit, say 12,000 miles per year, you will pay possible thousands of dollars in additional fees when you return the car. Additionally you may not be able to ship the car outside of Hawaii. This could be a big problem if you sign a 4 year lease and have to PCS after 2 years. You will be stuck with a car in Hawaii that you don't need.

Buying a car, either with cash or financing, is the alternative. The payments will be higher (than the lease payment of the same vehicle) but when you are finished making the payments, the car will be yours. When purchasing a new car, most people will use a car loan. The loan is usually issued by a bank at an interest rate that is based on your credit score. If your credit score is low, your car loan will be at a higher rate and you will pay more for the car over the long run. It is important to carefully read the terms of any loan so you understand exactly what you are getting yourself into. Also keep in mind that the terms of car loans can vary drastically between lenders. It is therefore advisable to get quotes from several lenders before making a decision.

Other tips

Never rush into a decision to buy or lease a car. Always sleep on it.

Research the cars you are interested in and know their bluebook value, msrp, and/or invoice price.

Always negotiate based on price NOT based on monthly payments. Once you have a price for the car, figure out what the monthly payments will be.

If possible, get pre-approved for a car loan BEFORE going to the dealer.

Keep your options open. Don't be dead-set on a certain model. The salesperson will pick up on this and price it accordingly.