



Armchair Millionaire Community Bulletin New vs Used Cars

Whether you go new or used, buying and operating a car is a huge cost. It's well worth your time to seriously balance all the costs and benefits against each other.

New York, NY ([PRWEB](#)) August 25, 2004 -- I'm a car lover. I grew up in Manhattan, a city where you don't even need to own a car, and I've owned American hot rods, German-engineered beauties and everything in between. In terms of new versus used, I've been all over the map there, too. But let me put my aficionado's cap down and address the question of whether it's better to buy your cars new or used.

According to the Bureau of Labor Statistics, the average U.S. household spent 18.1 percent of its income on vehicle costs, second only to housing. Given that nearly one out of every five bucks that you earn will go into your car, you're right to think long and hard about whether it's best to go with new or used. When we asked this question of members of the Armchair Millionaire community, we turned out plenty of advocates for both camps. Here are samples from the two sides.

Go new. "I decided to buy new with dealer maintenance. I know I pay too much, but being screwdriver illiterate and regularly traveling out of town with young children, I decided this was my best bet." --is24

Go used. "Buying new is a losing proposition. I still can't understand why anyone in their right mind would buy a new car, even if they plan to keep it for five or more years. I will never buy a car newer than one year old. Use the money you save on depreciation and pay for a nice road trip!" --David S.

There are a myriad of issues to consider about your purchase. My checklist provides the most important.

The Armchair Millionaire's Checklist of New vs. Used Cars

Depreciation: This is a big issue for many car buyers. It's simple: The moment you drive a new car off the lot, it immediately loses a chunk of its value because it is no longer "new." Cars generally lose 25 percent or even more of their value each year (although some models hold their value better than others). When you buy used, you let someone else take that depreciation hit.

Costs: Obviously, when you buy new, you pay more, and not just for the initial purchase, but also in higher insurance premiums, registration and licensing fees. On the other hand, used car owners have to consider the higher costs of keeping an older car running (such as replacing the brakes, muffler and battery), as well as the possibility of having to undertake a major repair (like replacing the transmission).

Warranty: The advantage is clearly in the new car camp here. Basic warranties are standard with new cars these days, and you can buy extended warranties for an additional cost. While some dealers may offer a limited warranty on used cars, they are typically much weaker than what you would get from a new car. And if you buy used from a private individual, it's highly unlikely that you'd receive any kind of warranty at all.

Reliability: Many new car buyers tout not having to worry about a major breakdown as a reason for going new, but the truth is that some used models may actually be far more reliable than some new models. One this if for certain, though, and that's that the new car buyer knows exactly how the car has been treated.



History: There are devotees of Consumer Reports out there who would never dream of buying a car without knowing that model's track record for repairs and defects. When you buy a new model, however, you can only hope that it will prove to be reliable.

Condition: The "shiny chrome" factor is a big one for many new car buyers--nothing else can quite replace the feeling of knowing you're the original owner of a new car in mint condition. Used car buyers have to settle for freshly detailed.

THE BOTTOM LINE: A car will always break your heart. Whether it's the first scratch on your new sports car or the day your old coupe won't start, there's trade-offs on new and used. My advice is to content yourself with knowing that some day you'll buy your dream car. In the meantime, practice financial prudence by never spending more than you can afford, and remember to save for a rainy day and for your future.

THE ARMCHAIR MILLIONAIRE WEEKLY SURVEY: What you earn is less important than what you keep. How do you keep more? Log on to www.armchairmillionaire.com and let us know.

Lewis Schiff is a contributor to CNNfnMoney.com, the Web sites for CNN and Money Magazine. His newest report, "How to Know When You Are Rich," is now available at www.armchairmillionaire.com

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