



How to Negotiate Car Prices

Negotiating car prices can be daunting. Doing your research and knowing what you can afford before going to a dealership can help level the playing field.

The car industry continues to be plagued by supply-chain disruptions, low inventory and higher-than-usual prices. And while prices are cooling off slightly, most buyers are paying more for cars than they did pre-pandemic.

Although you'll find fewer deals in the current market, it's still important to know how to negotiate car prices to make sure you get the best deal and stay within your budget.

Regardless of the shopping climate, negotiating can be difficult, especially if you haven't had much practice doing so with experienced salespeople. These five tips and strategies from Nerdwallet can help car shoppers — even those who hate haggling — get the best deal possible.

1. Know your budget

To help prevent being upsold by a dealer, determine how much you can afford to spend before you even start shopping for a car.

Joseph Yoon, consumer insights analyst at automotive research firm Edmunds, says that as a buyer, you should be “intimately familiar with what you can afford and know the real specifics of the deal that you’re going to propose to the dealer.”

Setting your budget involves determining how much you can afford to put down and how much you’re able to make in monthly payments. Aim to put down 10% of the purchase price for a used car and 20% for a new car, if you can. Your monthly payments should be less than 10% of your take-home pay, and your car expenses overall (e.g., gas, insurance, repairs) should be less than 15% to 20%, if that’s feasible.

Again, a budget can help you to better determine a target price and how much you can haggle on the price of the car — which can empower you during negotiations.

2. Do your research and know your numbers

In addition to knowing what you’re comfortable paying, Yoon recommends researching key numbers — like the current market value of the car you’re looking at — to help guide you through the negotiation.

“If you have some ballpark figures based on what you’re comfortable with, then you’re in a better position to say yes or no to the deal that they’re offering,” he says.

For example, if you’re negotiating for an SUV and the salesperson says it’s \$27,500, but your research found the current price is \$24,500, you’ll be able to recognize they’re asking too much.

Doing your research beforehand can also depersonalize the negotiation process because you’re relying on data and not only on opinion or emotion to establish the sales price.

Here are some important figures you should know before contacting a dealer:

- The current market value of the new or used car you want to buy, which you can research on online car inventories and sites like Edmunds or Kelley Blue Book. Also, consider using a payment calculator to figure out roughly how much a car you’re interested in should cost you.
- Any incentives you might qualify for, such as customer cash back or low-interest financing.
- The trade-in value of your current car.
- Estimated fees and local sales tax.

3. Negotiate remotely first

A crucial step in negotiating a car’s price is to first contact the dealer about it — by email, phone or filling out an online form, according to Yoon.

“The best way to really get a deal has always been to contact dealers beforehand, before you just step on the lot,” he says.

Once you get a price from one dealership, then, you can shop it around by contacting other dealers to see if they can meet the price. Dealers often test competitors’ prices so they know what figure they’ll have to offer to win the sale.

Negotiating this way allows you to do almost all of the work from home without having to face a salesperson — particularly if you’ve already test-driven the car. Plus, if you don’t like the numbers or how you’re being treated, you don’t have to physically leave the dealership. Instead, you can just say goodbye on the phone or simply stop email or text communications.

4. Skip negotiating altogether

More Americans are buying their cars online, according to research firm Cox Automotive. And with the increase of car-buying apps and platforms, shoppers can forgo the lot and handle the

process online.

5. Don't be afraid to walk away

A big part of learning how to negotiate a car's price is to make sure enticing offers are really as good as they appear. Before you agree to any deal, ask for a breakdown of fees to see the total, or the "out-the-door price." In some cases, dealerships insert bogus charges or inflate the documentation fee to try to take back some profit. Once you know how the total price was reached, and if it still looks good, you can buy with the confidence of knowing you're a savvy negotiator.

But if things don't look good, and especially if you don't need a car immediately, remember that you can always just leave.

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