

# CUTTING CAR COSTS

Finding Smart Ways to Keep  
Transportation Costs Low



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## Cutting Car Costs

### Finding smart ways to keep transportation costs low

Owning a car or truck can be expensive! According to AAA, the average buyer pays just over \$31,401 for a new vehicle. In addition, Experian states that the average length for an auto loan is now 72 months—almost six years. That means a typical car loan of \$32,000 for six years at 5.63% will cost a consumer almost \$6,000 in finance charges. Many owners may be ready to sell or trade-in a vehicle before they pay off their loan.

Of course, those figures don't include insurance, maintenance, and repairs, fuel, or taxes. In fact, the annual cost to own and operate a new car is around \$10,000. Along with the tips in this publication, the Shop Smart and Save guide in this publication series can help you make car ownership less expensive.

### Cost-Saving Strategies for Auto loan

#### Maximize your credit score before you apply

Your credit score determines the interest rate you will pay on an auto loan. It can also affect your insurance premiums—people with bad credit pay more for insurance in many states.

Before you apply for a car loan, make sure you check your credit report through [annualcreditreport.com](https://annualcreditreport.com). You can also use the “Make the Most of Your Credit Score” and “Repair Your Credit” guides from this publication series to take steps to improve your credit before a new loan application.

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It may take a few months to fix your credit, so plan based on when you want to buy a new vehicle. Then use the time while you're fixing your credit to budget and save as much as possible for your down payment.

## **Consider ways to lower your monthly car payments**

When people think of how much their vehicle costs, the monthly car payment is usually the first thing that comes to mind. Lower that cost and you'll definitely feel the difference.

These tips can help keep payments on a new loan:

- Increasing the term of the loan will lower your monthly costs. However, be aware it will increase the total cost of ownership because interest charges will be higher. Make sure you compare the total and monthly costs of different loan terms before you apply.
- You can also reduce your monthly payments by paying more upfront. Save up for a larger down payment to reduce how much you need to borrow.

## **Refinance**

If you already have an auto loan, see if current interest rates are lower than when you took out your loan. If rates are lower than when you borrowed and your credit is good or has improved, you may be able to save money with a lower-rate loan.

Start by calling your current lender to find out if they can refinance your loan. Then, conduct an online search for companies that will refinance auto loans, even if your credit is less than perfect. It costs nothing to find out whether you may qualify for a lower rate.

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**Tip:** Make sure you get a simple interest loan with no prepayment penalty

## Downsize

Some vehicles are more expensive to own and operate than others. Not only will your auto loan payment be higher, but the cost to maintain the vehicle will also be higher. For example, a small sedan costs about 50¢ per mile while a pickup costs 75¢ per mile. For every 15,000 miles, that's a cost of \$7,516 versus a cost of \$11,308. If auto costs are squeezing your budget, you may want to scale back—at least for one of the family's vehicles.

## Insurance

Not sure how much you're paying for insurance? Not sure if you're getting a good deal? You're not alone. The yearly cost to insure a vehicle is around \$1,000 a year. Yet, two in three consumers didn't shop for a better insurance policy the last time their auto insurance came up for renewal.

## Get a Good Deal

The annual cost of insurance coverage can vary by as much as \$500 among different insurers, so it pays to shop around.

- Contact at least three insurance companies for quotes
- Ask about discounts if you have an anti-theft device or alarm, get married, or take a driver safety course
- Also, check out the rating of the insurance company through [S&P Global Ratings](#)

You want an insurance company that can afford to pay if you have to make a claim

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## Lighten Up on The Lead Foot

79% of drivers demonstrate aggressive behaviors when behind the wheel according to research from AAA.

Speeding makes the top of the list. Speeding increases the likelihood of accidents. The auto experts at Edmunds also found that slower driving can save you up to 37% in fuel efficiency.

## Don't Leave Yourself Exposed

Auto insurance can be expensive but going without the right coverage can be financially devastating if you are in an accident.

Make sure you understand the types of coverage available and that you have enough insurance.

If, for example, an uninsured motorist hits your vehicle, or you suffer severe injuries requiring expensive medical attention, would your current insurance cover those costs?



If raising your total coverage makes your policy more expensive, consider raising your deductibles to offset the cost. Remember, the main reason to have insurance is to take care of losses that you cannot afford.

## Fuel

It has become more important than ever to save on fuel costs. Here are some ways you can save money:

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## Get cruising

According to Edmunds, using cruise control can result in a 14% savings in fuel efficiency. If you live in an area with hilly terrain, this tip might not be applicable.

## Check your tires

Properly inflated tires do make a difference in gas mileage.

- Check your tires at least once a month when they are cold.
- Fill them to the figure recommended by the manufacturer, not the figure printed on the tire itself (which is usually the maximum tire pressure, not the one recommended for your car)

## Make the grade

Check the grade of gasoline recommended for your vehicle and stick with it. Using premium gasoline when your vehicle doesn't need it is like burning money.

## Lighten the load

The lighter your vehicle, the better your gas mileage will be. If you're using your trunk or back seat as an extra closet, get rid of the junk—maybe even have a garage sale to earn some extra cash!

## Don't go too low

Driving your car until the gas tank is empty before you refill means your car often uses the dirtiest gasoline. This can lead to poor engine performance and can even cause engine damage. Fill up long before the gasoline warning light comes on.

## Slow your roll

Coast to a stop as much as possible. Sudden stops not only wear down the brakes faster but can use up more fuel as well. On the

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highway, keep in mind that higher speeds also use more gas. Driving slowly can save you 37% in fuel efficiency compared to aggressive driving, according to Edmunds.

### **Be smart about staying cool**

Running the air conditioner on the highway can save fuel because it puts less drag on the vehicle than keeping the windows open.

For a local run around town, though, rolling down the windows and turning off the a/c will usually be the cheaper choice.

Also, forget about “warming up the engine.” It’s a waste of fuel and money.

### **Shop wisely**

Gas pricing apps, gas station rewards, warehouse membership programs, and a rewards credit card can help you save on fuel costs. Consider your options carefully when deciding on a program that works best for you.

## **Repairs and Maintenance**

### **Force yourself to save**

When you make your car payment each month, put \$20—or whatever you can afford—into a savings account for repairs and maintenance.

When you pay off your car, continue to make the same monthly car payment you were making to the lender—but put it into a savings account for repairs. This will help you cover any

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increased repair costs of your older vehicle.

Ultimately, you can use the money you have saved for repairs for a down payment on a new vehicle.

## Stay on schedule

Follow the recommendations for your manufacturer for:

- regular oil changes
- replacing the air filter
- changing the antifreeze
- other regular maintenance



This will make your car run more efficiently and last longer with fewer repairs. Find a good mechanic and stick with a schedule for routine maintenance.

## Get good help

According to research by Consumer Reports, the cost for service and repairs can vary a great deal among dealerships and independent repair shops. Ask for recommendations from friends and relatives, make a few calls to compare prices, and check out complaints with the Better Business Bureau (visit [bbb.org](http://bbb.org)).

## Know when to say when

Don't give up on your older car just because it needs repairs. Even a \$2,500 new transmission may be a bargain when you compare it to the \$10,000 annual tab of a moderately priced new car.

However, if your car repairs are costing you more than your car is worth, it may be time to shop for a new vehicle.

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## One final tip that could lower car costs, depending on where you live

### Dump your wheels entirely

People often assume that they need a private vehicle because it's become a cultural norm. However, depending on where you live, you may be able to avoid car costs entirely.

Try going without your car (or a second car in your household) for a month.

- Use public transportation for general travel
- Consider ridesharing when you're transporting things like groceries
- Rent a car for those occasions where you need your own vehicle

You will still have transportation expenses, but you will avoid a car payment, insurance premiums, and repairs.

If you can make it for the month, then you may want to dump your car. Even scaling back to a single vehicle in your household can significantly reduce your annual transportation costs.

Considering that even a "cheap" new car costs about \$10,000 a year to operate, you can end up ahead by hoofing it and catching a ride once in a while or sharing a single car in your household

