

# Buying a Car

For the average Canadian, a vehicle is one of the most expensive purchases made in a lifetime. Plus, there are more vehicles on the market than ever before. So, to help you find the right vehicle for your needs, CAA provides helpful tools and services to help you make the right decision based on your needs and budget.

## Buying a New Vehicle

If you're thinking about buying a new car, you've come to the right place. At CAA, we're not in the business of selling cars, which means we can provide you with unbiased advice that will help you make the right vehicle decision.

### Thinking about a new car? CAA can help!

When it comes to automotive services, CAA strives to help you. That includes bringing you helpful information about purchasing a new vehicle. After all, after a house, a new automobile is undoubtedly the second most expensive purchase the average Canadian consumer makes in their lifetime. With the large number of new high-tech vehicles on the market, it's easy to lose sight of your original needs. That's why it's so important for prospective car buyers do their homework ahead of time.

Depending on where you are in the process, the following guide can help you through the challenges of buying a new vehicle.

#### Step 1: Selecting a type of vehicle to meet your needs

The first step in buying a new vehicle is to decide what type of vehicle meets your needs. Ask yourself these questions:

- Do you do a lot of driving?
- Do you tow a trailer or haul heavy equipment?
- Is fuel efficiency important to you?
- Are you interested in a luxury vehicle?

Gather general new vehicle buying information from sources like the [Consumer Reports website](#).

#### Step 2: Setting your budget

After deciding upon the type of vehicle that best meets your needs, you'll want to set a budget to determine which particular vehicles are right for you. Set a budget by determining what you can afford. Consumer Reports offers a finance calculator that can help determine your budget. Remember to factor into your budget:

- Insurance
- Registration
- Maintenance
- Operating costs

## **Insurance**

Once you've narrowed your choices down to three or four vehicles, compare the cost of insurance for each vehicles. At the budget stage, take a look at what you're currently paying and set a reasonable amount you can afford. Leasing that fancy sports car may be feasible on paper but, if you can't afford the insurance you may be making a big mistake.

Insurance costs can vary depending on the make, model and features, so it's wise to gather all of the information before making your final purchase.

Get a quick and easy [CAA Auto Insurance quote](#).

### *Step 3: Creating your short list*

After you've narrowed down your options to a few prospective vehicles, it's time to start your research. Consider:

- Model ratings
- Reliability information
- Crash ratings
- Fuel economy reports
- Owner satisfaction

## **Model Ratings**

Compare like vehicles, weighing their options, pricing, benefits and drawbacks. You can also visit the Automobile Journalist Association of Canada (AJAC) [web site](#) for performance ratings on new models.

## **Reliability Information**

Many people purchasing new vehicles do so for the peace-of-mind that a new vehicle offers. As the first owner of the vehicle, you know exactly when it has been serviced, what problems the vehicle has encountered and whether or not regular maintenance has been performed. When looking at new vehicles, it makes sense to look to the professionals for their opinions. Websites like [Consumer Reports](#) and [Wheels.ca](#) can help, with detailed reviews of many new vehicles.

## **Crash ratings**

Find out what the vehicle's crashworthiness rating is by visiting the [IIHS](#) (Insurance Institute for Highway Safety) and [NHSTA](#) (National Highway Traffic Safety Administration's) websites.

## **Fuel efficiency**

Is the vehicle good on gas? Natural Resources Canada provides a comprehensive list of vehicles ranked according to their fuel efficiency. Search by year, manufacturer or type of fuel to find the best fit for you.

## **Owner Satisfaction**

When buying a new car, it is always important to look to the advice of others who have gone before you. There are a wide variety of websites offering user reviews of new vehicles, including popular destinations like [Edmunds.com](#) and [Canadian Driver](#).

#### Step 4: Going for a test drive

Once you've narrowed your choices to two or three vehicles, take each one for a test drive. Set aside one day so you can drive more than one vehicle. This makes it easier to compare.

- Be upfront with the salesperson and tell them you're testing several vehicles and likely not making a purchase that day.
- Take a friend with you. They may notice things you don't. It can be helpful to get a second opinion.

A test drive allows you to get a sense of the vehicle's characteristics, handling and options. It should last 30 to 45 minutes and duplicate the types of driving you normally do - including some highway driving. Be objective. Carefully determine whether or not the vehicle meets your needs.

Taking a test drive can also help you assess the dealership. Their response to your test drive may tell you about their professionalism and help you decide whether you want to deal with them over the life of the vehicle.

Be wary of dealers who do not have demos in a popular line-up of vehicles, or who will only offer you a ride rather than test drive.

#### Step 5: Making an offer

Once you're ready to purchase your new car, familiarize yourself with the buying process.

- Know your rights when leaving a deposit
- All-in pricing
- Learn how to negotiate the best deal
- Learn the pricing terms

#### **Consumer rights**

Before signing anything, learn how to protect yourself as a consumer. Signing a sales offer and leaving a deposit represents your commitment to purchase and is legally binding. The dealer has the right to keep your deposit if the deal is not completed in order to cover his costs. If you wish to have your deposit returned in the event the deal falls through, include a statement to that effect on your offer to purchase. A deposit of \$500 is adequate.

#### **All-in pricing protects Ontario car buyers**

All-in pricing is the law. If a registered dealer of the Ontario Motor Vehicle Industry Council (OMVIC) advertises a price for a vehicle (new or used), the Motor Vehicle Dealers Act (MVDA) requires that the price include all fees and charges the dealer intends to collect.

*Note: HST and licensing do not have to be included in the price if the advertisement clearly and prominently indicates they are not included. Licensing refers to the actual cost of vehicle registration and plates – it cannot include extra fees added by the dealer.*

## **What must be included in an all-in advertised price?**

Examples of fees or charges that must be included in an advertised price are:

- Freight
- PDI-PDE (pre-delivery inspection/expense)
- Administration fee(s)
- Government levies (air tax, etc.)
- OMVIC fee
- Safety and emissions test (unless the ad contains an “unfit vehicle” or an “as-is vehicle” disclosure statement)

Further, if a dealer intends to charge for products or services they have pre-installed on a vehicle, those costs must also be included in the advertised price. Some examples include:

- Nitrogen/tire protection package
- Warranties
- Security or theft deterrent products/services (etching, etc.)
- Fuel

Note: While dealers must include all fees and charges in an advertised price, these fees and charges must be listed separately and itemized on the bill of sale.

## **What should a consumer do if a dealer tries to add charges in excess of the advertised price?**

Walk away, shop elsewhere and report the offending dealer to OMVIC.

Note: OMVIC does not regulate vehicle manufacturers; therefore, advertisements placed by manufacturers do not have to comply with the MVDA and all-in pricing is not required in manufacturer ads. That said, some manufacturers voluntarily comply with the all-in pricing provision and commendably provide transparency to consumers.

## **Negotiating the price**

The amount of profit included in the cost to buy a new car depends on many factors, including the type of vehicle, supply, demand and the dealership.

As a rule of thumb, the amount of profit figured into the cost of a new vehicle ranges from 5-15%. There is little room for price negotiation with entry-level vehicles. Negotiation power increases with each step up the ladder from entry-level to luxury vehicle. Vehicles in extremely high demand and low supply are often subject to higher mark-ups.

The dealer's cost for options vary considerably. Factory options are commonly marked up 10-20% and dealer-installed options can be marked up 30-40%.

Negotiate the price of the new vehicle first before talking about your trade in or financing options.

A reasonable offer would allow the dealer at least a 3% mark-up of the invoice price as profit. Negotiate terms, like the price and interest rates. Make sure you get everything in writing, including all promises made by a dealership.

Remember:

- If a dealer won't talk price, think twice about purchasing a vehicle there.
- Don't fall in love with any vehicle – your objectivity will suffer.
- Learn what the car originally cost the dealer and negotiate up from the factory invoice, if possible. Do not negotiate down from the sticker price.
- Keep the deal simple. Don't confuse negotiations with discussion of a trade-in or financing.

### **Pricing terms**

Know the pricing terms before entering into negotiations.

### **Invoice price**

Dealer invoice price, sometimes referred to as the factory invoice price, is the price the dealer pays the manufacturer for the vehicle.

### **Holdbacks**

Many manufacturers offer their dealer holdbacks. This is money that will be remitted to the dealer once the vehicle is sold. These rebate payments may be equivalent to 1-3% of the manufacturer's suggested retail price (MSRP) of the vehicle. This money normally is used by dealers to pay interest on loans used to buy vehicles on their lot or for other business.

### **Step 6: Taking delivery**

After a lengthy process, you've finally reached the end of the road - your new car has arrived! Unfortunately, you'll need to contain your excitement for a few more moments as you go over the final details.

Inspect the vehicle before taking delivery to ensure it is equipped with all the features and options you have selected and it meets your approval. If there are defects, ensure the dealer addresses them to your satisfaction before taking delivery.

Next, read the owner's manual to understand how things work. All new cars are not equal and yours may or may not have options that work differently than your current car. Also, reading the owner's manual is a great way to remember the options you've ordered. For instance, a rear-view mirror with compass may be an easily overlooked option at first, but a simple reference in the owner's manual should jog your memory.

In the long run, once you have done your homework, you will be much happier with your new vehicle purchase.

### **Buying a Used Vehicle**

With used vehicles, you could end up with great value or a great big headache. The condition and value of used vehicles varies considerably. To avoid buying a lemon, take the time to look at many used cars before making your choice. That way, you'll gain a good sense of what they are worth. With the information you find here, you can avoid making a decision you'll regret later.

## **Used Vehicle Buying Tips**

When purchasing a used vehicle, you could end up paying a bundle for someone else's troubles, or you could become the satisfied owner of a sound car with thousands of trouble-free kilometers left on it.

To help minimize your chances of buying a 'lemon' or paying an unfair price, CAA has created this guideline filled with helpful tips to consider when purchasing a used vehicle.

### **Setting your budget**

Buying a car is usually the biggest or second biggest purchase in your life. For some, the cash outlay may not be a problem. But for most it means borrowing money from a bank, credit union or other financial institution.

It's a good idea to shop around for the best interest rate before making your purchase. Decide how much you want to pay for the car, set a maximum and hold yourself to it.

If this is your first car purchase, you should also take into account the running costs. Keep in mind you have to live with your vehicle for a number of years. Long after the novelty of owning it has worn off, you will still have the payments, along with the repairs, maintenance and insurance.

Purchasing the car also has some built-in expenses. As well as sales tax, registration and insurance, these expenses may also include:

- Mechanical inspection fees
- Cost of additional equipment and accessories
- Extended warranties
- Rustproofing
- Paint and upholstery protection
- Dealer documentation fees

### **Choosing the right type of vehicle**

To make your decision easier, ask yourself these questions:

- What type of driving will I be doing - city, highway, or both?
- How many passengers will the car seat?
- How much trunk or cargo space do I need?
- How would I rate the following in order of importance:
  - Reliability
  - Performance
  - Safety features
  - Fuel consumption

Other items for possible consideration include:

- Quality of workmanship
- Ease of maintenance
- Availability of service and parts
- Horsepower and acceleration

- Reputation of the manufacturer

### **Choosing a vehicle you can afford**

At bookstores and libraries, you'll find many automotive used car buyer guides. Likewise, Red Book retail values of used cars are also available from CAA South Central Ontario, Technical Services Department and your local library. With this information you should be able to build a list of cars within your price range that meet your needs. With this information, you're ready to shop around for the right one.

**A word of caution: The condition and value of used cars vary considerably. You will probably have to look at quite a few to get a good appreciation of what they are worth. A hasty decision may be regretted later.**

### **From where and from whom should you buy?**

The majority of used cars in Canada are sold privately through individuals. When buying a car privately, you run the risk of falling victim of unscrupulous individuals who sell cars outside the law. If that's the case, you might find yourself with an unreliable and unsafe vehicle.

If you do buy a car from another individual, make sure the seller provides a Used Vehicle Information Package (UVIP). This package enables you to carefully check that there are no liens against the vehicle. If you buy the vehicle, make sure the seller gives you [UVIP](#) package because the Driver and Vehicle Licence Issuing Office will need it in order to register the vehicle.

The next most popular method of buying a used vehicle is through a licensed new and used car dealer. Car dealers are probably the best place to start your search for a used car. Their large selection enables you to test drive many different makes and models without wasting time.

Whether buying a car privately or through a dealer, before making the purchase you should make the sale subject to a mechanical inspection. The fee you invest at this point could well prevent you from making a costly mistake later. CAA offers a [Vehicle Inspection Services](#) at various locations across Southern Ontario. Rates are very competitive and special discounts are available to CAA Members.

### **Avoid curbsiders**

Curbsiders sell vehicles from their homes, which often leads buyers to believe they are selling their own family vehicle. Buyers run the risk of buying a vehicle without full knowledge of its ownership or collision history.

Curbsiders buy used vehicles at low prices and sell them almost immediately at a profit. This is illegal. They are running a used vehicle business without a license.

Here are some clues that may help you identify curbsiders:

- The name on the vehicle registration is not the same as the seller's.
- Compare the issue date of the registration with the seller's story of how long they've owned the vehicle. If they don't fit, there may be a problem.

### **What to look for in a used vehicle**

Keep in mind any used car is going to have minor flaws. What you want to avoid is a vehicle with major mechanical or body problems that will be costly to repair.

You can ask if the car has ever been in an accident. And, if so, how much damage was caused. If the seller is co-operative in answering your questions, chances are good he or she has nothing to hide.

If there are items on the car you feel need to be corrected, discuss them with the salesperson. If they are not out of proportion, the salesperson should have an opportunity to make corrections. In most cases, a business-minded dealership will make the car right for you.

### **On-the-lot checks**

The average odometer reading is about 20,000 km per year. Does the odometer reading correspond with the general condition? Here are some things to look for:

- Excessive wear on the pedal rubbers, seat upholstery and carpeting could indicate a great deal of mileage.
- Inspect the car body by scanning its side for dents, ripples or signs of repainting. These may indicate recent automotive body work.
- Check the body for rusting. The bottom of all doors, wheel openings and lower body panels are prime locations.
- Paint blisters or cracking can be signs of rusting under paint or worse - rust perforation from the other side of the panel.
- Check the tire tread for excessive wear. Four new tires would be an expensive start.
- Is there a spare wheel, jack and wheel wrench? Are they in good condition?
- Do the doors, trunk and hood close firmly?
- Try the door lock mechanism and window regulator to see if they work.
- Do the windows close completely?
- Check for damp carpets or a musty, damp smell inside the car, which could indicate a leak of some sort.
- Press down each corner of the vehicle. It should come to rest quickly. If it keeps bouncing, the shock absorbers probably need replacing.
- If the engine is cold, remove the radiator cap and check level and condition of coolant.
- Check engine side or radiator for signs of leakage or corrosion. Recheck for leaks after road test. Do not remove radiator cap when engine is warm.
- Has the car been getting maintenance? Take a look at the stickers on the door jamb to determine regularity of upkeep.
- Check the operation of all lights and also check for cracked or broken lenses.

If the car still looks promising, take it for a road test. A quiet, residential area, or an open space, are the best testing grounds. CAA recommends the following checks:

- Does the car start immediately and idle smoothly once warm?
- Are the engine gauges and warning lights operating? Check again while driving.
- Try all the accessories, buttons and switches.
- Try the park brake and see if the brake warning light comes on.



- On both smooth and rough surfaces, start and stop the car, drive forward and backward, make several turns in both directions. For most automobiles there should be no more than 10 mm (1/2 inch) play in the steering wheel.
- Listen for unusual noises.
- Make several sharp turns at low speed. The steering shouldn't stiffen up and bind. If there is power steering, no squeaks, moans or sudden increase of steering effort should occur.
- Either descend a long hill with your foot off the accelerator, or in a flat area, decelerate from 80 km/h to about 25 km/h without using the brake. Then step hard on the accelerator. If there is heavy blue exhaust smoke, the engine may need an overhaul.
- Try several emergency stops to check the brakes. They should feel firm, not spongy, and should not grab or swerve the car.
- Try the transmission in all gears. Manual transmissions should shift smoothly and not grind. Automatic transmissions that allow excessive engine speeds between gears may need major repairs.

### **Making the purchase**

If you've selected the car you want, the inspection has confirmed there are no serious defects and the price is right, then the time has come to sign the papers. When purchasing a used vehicle through a dealer, you will have to sign a Conditional Sales Agreement. This is a legal and binding document that should state clearly all the conditions of the sale including:

- Full description of the vehicle
- Full purchase price
- Terms for payment
- Trade-in allowance if applicable
- Any warranty or guarantee agreed upon
- Repairs agreed upon by both parties

Read the agreement before you sign. Make sure all blank spaces are filled in or crossed out. Ask for a copy for yourself.

### **Private sales**

Make sure the Vehicle Identification Number on the vehicle matches the Vehicle Identification Number on the vehicle permit. If it does not match, the seller is obligated to call the Driver and Vehicle Licensing Call Centre:

**Toronto area: 416-235-2999**

**Toll free: 1-800-387-3445 (Canada-Wide)**

You should ask to see the seller's driver's license to ensure the name matches the one on the vehicle registration. Failure to do this now, could cost you the car at a later date. If you suspect the seller does not have the right to sell, do not buy. If you proceed with the purchase, make sure the seller completes the bill of sale form found in the UVIP package. Also get the seller to complete and sign the vehicle registration document.