



Why savvy shoppers buy used cars

You can save thousands, which is like getting years of free gas

A LATE-MODEL USED CAR can be one of the best values you'll find when buying a car. With relatively low mileage, modern safety and convenience features, and usually a much lower price than similar new vehicles, those used cars are in the sweet spot of auto deals. But how sweet?

A new CONSUMER REPORTS study of owner costs shows that choosing a three-year-old car instead of a new one can save you thousands of dollars over the first five years. In many cases that's enough to pay for all of your gas during that time.

According to the analysis, buying a 2005 Toyota Camry with a V6 engine, for example, could save you about \$13,000 over five years compared with buying a

new 2008 version. At \$4 per gallon, you could pay for all of your gas during that period (based on driving 12,000 miles a year) and still be almost \$2,500 ahead.

Similarly, buying a three-year-old Ford Focus can save you more than \$8,000 over the first five years, or the equivalent of

Buying a three-year-old Camry can save you about \$13,000 over five years.

four years of free gas, compared with buying a new Focus.

Need a large SUV but you're scared of the dismal fuel economy? With demand for big SUVs plummeting and their used-car values dropping, you could save \$25,500 over five years—or the equivalent of seven-and-a-half years of free gas—by buying a three-year-old Chevrolet Tahoe instead of a new one.

On average, our findings show that you can save 32 percent in the first five years by buying a three-year-old car. Similarly, with a one- or two-year-old car, you can save 19 and 27 percent, respectively.

Our analysis also highlights another appealing option of buying used: the ability to get a more upscale model with more

features for the same owner cost as a less expensive new car. Buying a new \$28,000 Ford Mustang V6 convertible, for example, would cost you about \$42,500 over five years. For about the same five-year cost, you could buy a three-year-old Porsche Boxster roadster, which is priced at almost \$50,000 when new and is a more highly rated, fun-to-drive sports car.

Instead of buying a new Toyota Camry V6, you could own a three-year-old Lexus LS 430 luxury sedan for about \$2,000 less over five years. The Lexus provides a roomy, better equipped cabin and a quieter, more pampering driving experience. Or you can pass up a new Ford Focus for a three-year-old version of the impressive Infiniti G35 sports sedan.

Using our owner-cost estimates, our study compared the five-year costs of several popular models based on purchasing them new or used, when one, two, and three years old. We found substantial savings with all three ages (see page 46). For several models, we also recommended used cars that represent an upgrade in features and performance over a new car but still have similar five-year owner costs.

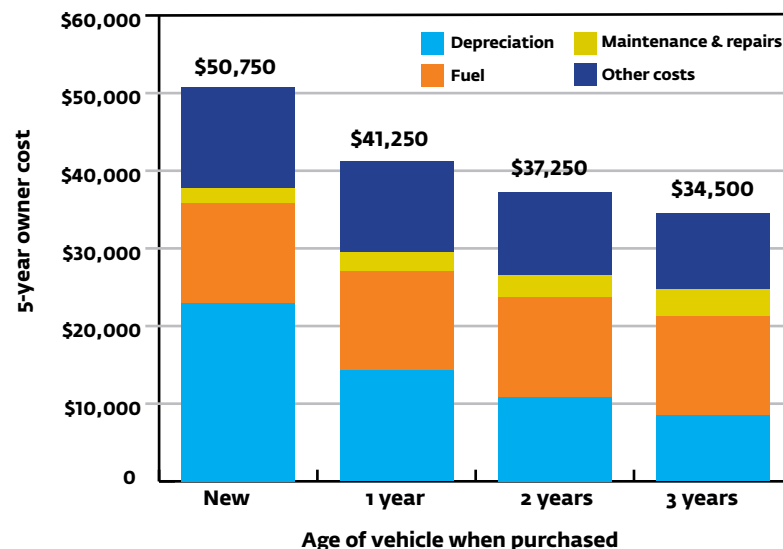
Why used cars are good values

It's obvious that used cars cost less than new ones. But to really see how much you can save, you have to look at overall owner costs, which include depreciation, fuel usage, insurance, interest on financing, maintenance and repairs, and sales tax.

The real key to used-car savings is depreciation, or how much value a car loses over time. On average, depreciation accounts for a whopping 45 percent of a new

New vs. used: Breaking down the costs

Depreciation accounts for 45 percent of a new car's owner costs in the first five years, but only 25 percent for a three-year-old car. While maintenance and repair costs grow with age, they still make up a small part of overall costs for late-model cars.



vehicle's owner costs over the first five years, with the steepest drop in value coming in the first year.

By contrast, a three-year-old vehicle has already taken its biggest hit in resale value. Its depreciation accounts for only about 25 percent of its five-year owner costs. Big depreciation for new cars means lower prices for used cars, which in turn mean lower finance charges and sales tax. When combined, that can cut overall owner costs dramatically.

But we also found that some popular models, such as the Mini Cooper and the Toyota Prius, don't depreciate much. So buying a used version of those models results in modest savings.

We included depreciation in our owner-cost estimates because we assume the vehicle will be sold or traded in after five years, which is a common scenario. That said, the longer you keep a car after the loan payments are through, the more value you get from it. So you could save even

Behind the numbers

Our five-year owner-cost calculations are based on the following:

Depreciation. To calculate this, we took the current retail price of the used car from CR's Auto Price Service and subtracted the projected wholesale value in five years.

Fuel costs. We used prices of \$4 a gallon for regular gas and \$4.20 for premium, which were close to the national average prices in early August. We assumed that vehicles are driven 12,000 miles annually.

Insurance. We estimated the cost of insuring an average driver, based on data from the Insurance Institute for Highway Safety.

Interest. We assumed buyers purchased cars with 15 percent down on a five-year loan. Bankrate.com was the source for the average interest rate. A shorter loan term for used cars would result in even more savings.

Maintenance and repairs. We used data from our 2007 Annual Auto Reliability Survey

to estimate what owners had spent on maintenance and repairs in a 12-month period. Using that data for each model year, we could see how maintenance and repair costs rise over time. On average, they range from about \$1,750 for a new car to \$3,500 for three-year-old models over five years. The survey gathered data on more than 675,000 vehicles.

Sales tax. We calculated this using the national average at the time of purchase.



AT THE PUMP As depreciation drops, fuel is the largest owner cost for three-year-old cars.

New vs. used: Compare 5-year owner costs

Save money **OR** upgrade

These examples show how much you can save in terms of five-year owner costs by choosing a one-, two-, or three-year-old vehicle instead of a new one. Or for about the same new-car owner cost, you can upgrade to a roomier, more luxurious, or better-performing model than you might otherwise be able to afford. Owner cost estimates are rounded to the nearest \$250.

Family sedan **Toyota Camry V6**

5-year owner cost: \$41,500



For about the same five-year owner cost of a new Camry, you could upgrade to one of these more luxurious used cars:

- 1-year-old Acura TL
- 2-year-old Infiniti M35
- 3-year-old Lexus LS ▼

OR



Age when purchased	5-year owner cost	Savings
1 year	\$33,250	\$8,250
2 years	30,250	11,250
3 years	28,500	13,000

Small car **Ford Focus**

5-year owner cost: \$33,750



Age when purchased	5-year owner cost	Savings
1 year	\$27,750	\$6,000
2 years	26,500	7,250
3 years	25,500	8,250

OR

For about the same five-year owner cost of a new Focus, you could upgrade to one of these roomier, better-equipped used cars:

- 1-year-old Honda Accord EX (V6)
- 2-year-old Acura TSX
- 3-year-old Infiniti G35 sedan ▶



Sporty car **Ford Mustang Convertible V6**

5-year owner cost: \$42,500



Age when purchased	5-year owner cost	Savings
1 year	\$32,000	\$10,500
2 years	30,250	12,250
3 years	28,750	13,750

OR

For about the same five-year owner cost of a new Mustang, you could upgrade to one of these sportier, more fun-to-drive used cars:

- 1-year-old Nissan 350Z Touring Convertible
- 2-year-old BMW 330i Convertible
- 3-year-old Porsche Boxster ▶



Small SUV **Subaru Forester**

5-year owner cost: \$35,500



Age when purchased	5-year owner cost	Savings
1 year	\$28,500	\$7,000
2 years	27,250	8,250
3 years	26,500	9,000

OR

For about the same five-year owner cost of a new Forester, you could upgrade to one of these roomier, better-equipped used SUVs:

- 1-year-old Nissan Murano SL
- 2-year-old Honda Pilot EX-L
- 3-year-old Acura MDX Touring ▶



Upscale car **Acura TL**

5-year owner cost: \$46,250



Age when purchased	5-year owner cost	Savings
1 year	\$39,250	\$7,000
2 years	35,250	11,000
3 years	32,000	14,250

Midsized SUV **Lexus RX 350**

5-year owner cost: \$57,750



Age when purchased	5-year owner cost	Savings
1 year	\$44,250	\$13,500
2 years	41,250	16,500
3 years	37,500	20,250

Large SUV **Chevrolet Tahoe**

5-year owner cost: \$63,750



Age when purchased	5-year owner cost	Savings
1 year	\$45,500	\$18,250
2 years	40,750	23,000
3 years	38,250	25,500

more (see “Make Your Car Last 200,000 Miles,” October 2007, page 20).

Used-car concerns

Many people shy away from buying a used vehicle because they’re afraid of buying someone else’s problems. Yet our reliability data show that cars, overall, are much more reliable than they used to be. Rust and exhaust-system problems, once common in older cars, are no longer of major concern. And reliable late-model vehicles usually have few problems overall. When properly maintained, many vehicles can now reach 200,000 miles or more without a major problem.

That said, if a car hasn’t been well maintained, reliability and value are wild

Reliable, late-model vehicles typically have few problems.

cards. Our analysis assumes that the used cars are in good condition.

Many buyers are also concerned about higher maintenance and repair costs for older cars, especially because the factory warranty will have expired for most four- and five-year-old vehicles. But our data show that for most late-model cars, savings on depreciation, tax, and interest far outweigh the increased maintenance and repair costs—as long as you buy a relatively reliable car. Steer clear of trouble-prone models, which can hit you with large unexpected repair bills. For example, if you buy a three-year-old Land Rover Range Rover, maintenance and repair can cost an average of \$2,000 annually over five years.

Bottom line. While most used cars on the market are five years old or older, it’s worth looking for late-model vehicles that are three years old or less. You can often find a late-model car with many of the latest safety features, such as electronic stability control and side and curtain air bags. You might also be able to find one with a transferable factory warranty.

With any used car, you avoid the car’s worst period of depreciation. If you buy a reliable vehicle in good condition and also budget for maintenance, all you might give up is that new-car smell.

How to find a great used car

You’ll benefit most by buying a model that’s reliable, in good condition, and reasonably priced. Here’s what to look for:

1 What is the car worth? A car’s value depends on its age, mileage, condition, features, and local demand. You can get a car’s overall retail value free of charge from online auto-pricing Web sites or from a Consumer Reports Used Car Price Report (\$12), which also includes reliability ratings. Then, to help gauge how much money sellers are asking for a model in your area, check out the classified ads in local newspapers and other publications. Also check online car-buying sites such as Autotrader.com, Cars.com, or eBay Motors. A nice feature of eBay is that you can see how much cars have sold for. Usually you’ll get a lower price from a private seller than from a dealership, but it might take more effort to assess the vehicle and complete the transaction.

2 Check the reliability rating. Reduce the risk of purchasing a trouble-prone vehicle by selecting models with a good reliability record. In CONSUMER REPORTS used-car reliability history charts, you’ll find detailed Ratings for 17 trouble areas over 10 model years, so you can see the areas in which a model has had problems. The Ratings are included in our April issue and special Consumer Reports Cars publications, and are available to ConsumerReports.org subscribers.

3 Think safety. Look for a model with critical safety features, such as electronic stability control, side and curtain air bags, and antilock brakes. To see how a model has performed in government and insurance-industry safety tests, go to www.safercar.gov and www.hwysafety.org. Free videos of insurance-industry crash tests are available on ConsumerReports.org and safety Ratings are available to the Web site’s subscribers.

4 Do a thorough inspection. Check inside and out. Walk around the car and look for dents, rust, and mismatched body panels. Check for paint overspray on exterior trim or on wheel wells, which is a sign of repair work. Make sure all interior components are in good condition. Frayed safety belts or belts with melted fibers might indicate a frontal crash above 15 mph. Stay away from any vehicle with lighted warning lights. A mildew smell, discolored carpeting, silt in the trunk, or electrical problems are indicators of flood damage.

Wear on tires should be even across the width of the tread and the same on both sides of the car. Heavy wear on the outside shoulder near the sidewall indicates that

the vehicle has been driven hard.

All components under the hood should be relatively grease- and corrosion-free. Belts and hoses should be pliable and unworn. Look for damp areas in the engine compartment and under the vehicle, which might point to fluid leaks. Melted or burned areas might be signs of overheating or even an engine fire. Check that all fluids are at the proper levels. The transmission fluid should be checked after the car is warmed up. Motor oil should be brown and not gritty, frothy, or gelatinous.

5 Take a test drive. Drive a vehicle for at least 30 minutes on a variety of roads. Make sure the car takes off briskly, shifts smoothly in all gears, and brakes without pulling right or left. On the highway, note whether the car is tracking straight or pulling notably to one side. Once warm, there should be no tailpipe smoke. Try every button, switch, and control, and note any that don’t work.

6 Ask a trusted mechanic. When you’ve found a vehicle you’re interested in, take it to an independent, certified mechanic for a diagnostic checkup. That inspection, which usually costs about \$100 to \$150, is well worth the investment.

7 Do a background check. While far from foolproof, a vehicle history report from CarFax (www.carfax.com) or Experian Automotive (www.autocheck.com) might alert you to possible odometer fraud or past fire, flood, or crash damage. To get one, you’ll need the vehicle identification number, or VIN. Reports usually cost \$25. Also check with the National Highway Traffic Safety Administration (www.nhtsa.dot.gov; 800-424-9393) to see whether any safety recalls were issued for the model. If so, ask the seller or a franchised dealer for documentation that the recall service was performed.



CHECKUP An inspection by a mechanic is well worth the money.

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