



MEMBERS 1st

Community Credit Union

Rev Up Your Car Budget



Is this the year you rev up your car budget? If so, you have probably started looking at your finances, what you want, and what you can afford.

Budgeting for a car means putting a plan in place and considering all of the factors to help you buy or lease something you will love and something that fits your budget.

There are many things to consider before making the purchase. Aside from the color, style, and the fancy bells and whistles – savvy consumers also thoughtfully consider the bottom line.

With some people tightening their belts, consumers are holding onto vehicles longer and looking for alternatives to traditional purchases. Recent reports say even used cars, once thought of as more economical options, are [seeing higher prices](#). So, what is best for you and your budget? The answer can be different, depending on several factors.

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How Much Car Can You Comfortably Afford?

Just the thought of buying a car can make your heart race – it can be really exciting. Part of the process of learning how to budget for a car is understanding what you can actually afford, compared to what you might really love to have. Navigating the car buying experience will go much smoother, once you clearly know what fits into your overall financial plan.

GreenPath offers several tools to help as you plan your car purchase or to make other purchasing/budgeting decisions. Use an online car loan calculator to give you a better idea of your loan payment and how much car you can buy. This will assist you in approaching a car purchase with knowledge of where you are financially and define your budget before even visiting a dealership for a test drive.

Keep Total Costs in Mind

Once you understand what you can afford, remember the other costs tied to getting a vehicle. The goal is to make sure you can stay within your budget and get reliable transportation.

Beyond the price in the window, here are some other considerations as you create your car expense budget:

- Do you have a down payment or trade?
- How reliable is the car? Have you gone online to search for information and reviews of the model you want to buy?
- How much will your insurance cost?
- What about annual license plate fees?
- Will your fuel costs increase or decrease?

Set aside extra cash for both expected and unexpected expenses.

It can be helpful to begin creating a budget for a car:

- Keep total transportation expenses below 25% of your take-home pay.
- Set your budget and stick to it. When you start looking, resist the temptation to go above what you know you can afford.

When all of the monthly costs are added up, you will get a better idea of what kind of car you can comfortably afford. Also, remember an offer of a low monthly payment doesn't always mean a better deal for your bottom line. An offer of a lower payment could be because of a longer term loan or higher interest rates. This can mean you may pay much more for the car than you expected.

Should You Lease or Buy a Car?

Have you thought about leasing? Depending on your situation and goals, leasing might work best for your specific situation. Before signing on the dotted line, think about your overall budget and long term money goals.

One of the advantages of leasing can be lower monthly payments than if you secured financing from a lender. Another is your out-of-pocket costs will be lower. When thinking about the outlet of cash, a down payment for a vehicle purchase can be as high as 20%. With a lease, there can be little to no down payment required.

Another consideration is repair costs. Since lease terms tend to be short, most repairs are covered by a manufacturer's warranty.

Both leasing and buying can have advantages and disadvantages. The main point is to make sure you understand what you are getting yourself into and how your decision can impact your finances.

Understand Your Total Financial Picture

Budgeting for a car is a big decision. As you begin this process, it's a great time to also look at your full financial picture. Keeping track of your income and expenses makes it easier to manage a major purchase like a car, while reducing the chance of getting off track financially. Use this to get a better picture of where you are and where every dollar is being allocated.

Be patient as you make a large spending decision like purchasing a car. Take the time you need to be confident about your choice.

Also, make sure to reach out to a trusted resource with any questions. GreenPath can help you understand your options. Caring, certified financial counselors can offer guidance as you assess your situation and what steps to take.

Let's Hit the Road Together

Ready to rev up your car budget? GreenPath will meet you wherever you are and help you on the road to financial success and wellness. The help is free and confidential – no pressure.

MEMBERS1st has partnered with GreenPath to equip you with the tools you need for financial success. It's free, confidential, and no pressure!

[Learn more about GreenPath on our website!](#)



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