

How To Save Money On Your Car Loan

Most of us like to upgrade our cars on a regular basis. It doesn't matter whether we 'need' to or not. It just looks good if we do. We at least have to look like we 'doing OK', and what better way than by replacing the old clunker with a flashy new model.!

You're almost certainly going to need a loan to purchase your new wheels, so lets look at a few ways that you can save money on that car loan.

There are a couple of very simple money saving methods that are so obvious they are usually overlooked. Firstly, the absolute best way to save money on the loan cost is to borrow less money in the first place. Negotiate hard on the purchase price, and don't be afraid to walk away from the deal if you don't think the car dealer is giving you the best deal he can. Any smart dealer would rather sell at a lesser price and sacrifice a little of his profit margin than miss out on the sale altogether.

Buyers too often think that a few hundred dollars extra on the purchase price is neither 'here nor there', as they are borrowing the money anyway, so it's not coming out of their pocket straight away. But a few hundred dollars off the initial price could save the equivalent of the entire interest bill over the term of the loan.!

The second 'no brainer' money saving method is to do your homework before signing up for anything. Know both your car values and the going interest rates on car loans. It's too late afterwards to discover that you paid \$1000 too much for the car, or that the car yard down the road were offering finance 5% cheaper.

The interest rate you pay will largely depend on your credit rating at the time you apply for the loan. It will certainly help if you have diligently made all your other loan repayments and paid your bills on time.

If your credit rating is good you will have plenty of options to source your car loan. Probably the best choice is a pre-approved bank loan, which will not only be at a good interest rate, but will give you the added purchasing power of virtually being a cash buyer.

Car dealers love to negotiate with people who they know can finalise the deal on the spot. That's when you will almost certainly negotiate the best deal you can possibly get.

If on the other hand, your credit rating isn't great, you will probably have to get finance through a car dealer. The only way to get a deal that suits you this way is to shop around. The car dealers and money lenders are after your business, after all that's how they make their money, so they will find a deal to suit you. But obviously the worse your credit history, the higher interest rate you can expect to pay.

The next best way to save money on a car loan is to have a sizable down payment or trade-in. This is much the same as the first point - the less you have to borrow, the more you save.

Just remember, negotiate hard, do your homework, and protect your credit rating - if that all sounds too hard, then maybe you'll just have to stick with the old clunker for a bit longer.!

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About the Author

David Neehly writes on all aspects of the Car Loan industry on his website at <http://www.carloanguru.com>, where you'll find many more interesting articles. Don't forget to subscribe to his FREE newsletter, for expert advice, bonus gifts, and the latest developments in the world of Car Loans.