

Consumer tip sheet: six steps in budgeting

Before you commit to a vehicle purchase, be sure to understand the financial cost of buying, owning and maintaining a vehicle. Having a set plan before you shop for a vehicle can protect you from taking on more debt than you can afford.

1. Setting a budget

Choose the vehicle that's right for you:

- How much space do you need for your family?
- Do you need a vehicle big enough to transport large items?
- Will you buy new or used?
- Do you plan to tow a trailer?

Set a budget:

- Consider such costs as fuel, maintenance, insurance, etc.

2. Buy or lease?

Buying:

- Will you require credit?
- Will you acquire financing from a bank or directly from the dealership?

Leasing:

- Do you plan to keep the vehicle or get a new one at the end of the lease?
- Are you prepared to pay for additional costs such as wear and tear at the end of the lease?
- Are you aware of balloon payments?

3. Look at the total price

Don't just look at the payments, but consider the total price:

- Make sure you know how much you'll pay in interest and fees compared with the actual price of the vehicle.
- The bi-weekly payments are lower, but how much is it every month?
- How long is the term of the loan? An eight-year loan allows you access to more expensive vehicles, but the total price could be significantly higher than the selling price.

4. Negative equity

Are you trading in a vehicle? Consider this:

- If the vehicle you are trading in still has payments due, you still need to pay off the loan.
- Typically, the existing loan is rolled into the new loan. This means you could be paying a lot more than what the new vehicle is actually worth.
- Having negative equity could make it difficult to secure financing in the future.

5. No "cooling off" period

Once you sign the contract, stop shopping!

- There is no "cooling off" period in Alberta to change your mind. You might be stuck paying for two vehicles if you continue to shop!
- Putting down a deposit to hold a vehicle? The deposit may not be refundable! Ask questions before you hand over money.
- Do not allow yourself to be pressured into signing anything until you are ready.

6. Budgeting after

Remember, vehicles don't only have upfront costs, but other expenses such as:

- Insurance and registration fees;
- Fuel, car washes;
- Maintenance, such as tire and oil changes; and
- Unexpected repairs.