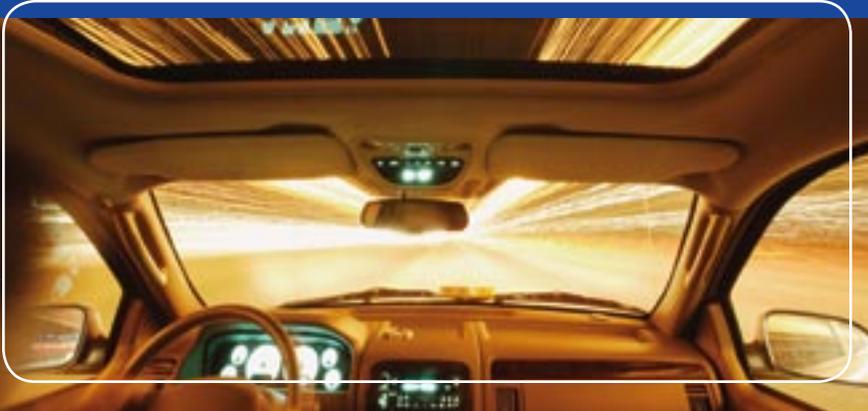


# the **smart** **car buyer's** **guide:**

Getting the Most  
From Your Dealership



Robert L. Lewellyn/Corbis



Presented by

[www.nada.org](http://www.nada.org)

The National Automobile Dealers Association (NADA), founded in 1917, represents nearly 20,000 new-car and -truck dealers, both domestic and international, with more than 43,000 separate franchises.

NADA membership is open to any new-automobile or new-truck dealership holding a new-automobile or -truck sales and service franchise.



## buying a car has never been more exciting

The automobile industry is experiencing a period of unmatched technological innovation, making today's cars safer, more dependable, better equipped and more fuel efficient than ever before. If you're looking to purchase a new car, there has never been a better time than right now.

This technical revolution in the automobile industry is attributed to the rise of the computer. The reality today is that there are more computers in a typical new car than there were in the first U.S. lunar landing module. Onboard automotive computers now monitor everything from atmospheric pressure to the amount of oxygen in the exhaust pipe, and even the rate that we close in to the car ahead of us.

The only catch, with so much new technology available, is that you have some research to do before you can skillfully navigate through the sea of new features in today's new automobile. While it's true that cars have never before been so complex, it's also true that never before have automotive dealers done business with a better educated, better informed and more knowledgeable customer. This guide from the National Automobile Dealers Association (NADA) is offered to help you purchase a vehicle you will enjoy owning and driving well into the future.

### What's Available for You?

Many advanced features that would have seemed like inventions from a sci-fi movie 20 years ago have become fairly commonplace today, and are often standard. Cars can now be easily equipped with satellite radios and DVD entertainment systems; DVD-based navigational systems with GPS and a monitor screen built into the dashboard; Bluetooth wireless technology, which connects a compatible phone to your car to enable hands-free communication; and electronic brake pedals, to name a few.

Advanced safety features you can choose as options include:

- **Adaptive Cruise Control:** Radar technology is utilized to automatically maintain a safe distance between your car and the traffic ahead.
- **Night View System:** This near-infrared technology is designed to help enhance nighttime driving visibility.
- **Side-Curtain Air Bags:** Deploying from above the doors, these air bags help reduce the effects of side-impact accidents by covering glass areas.
- **Vehicle Control Systems:** Systems such as electronic traction control help avoid wheelspin on slippery surfaces, and electronic stability control works to prevent rollovers.

### automobile dealers in the community

#### NADA'S ROLE IN OUR COMMUNITIES AND OUR ECONOMY

Auto dealerships play a significant role in our nation's economy, generating over \$700 billion in total annual sales last year and employing more than 1.1 million people.



In addition to being an important part of our nation's economy, automobile dealers are generous community leaders. New-car and -truck dealers donate to the National Automobile Dealers Charitable Foundation to help communities large and small across America. The donations range from emergency relief funds to medical grants. Most dealers are also independently contributing to their local community.

- **Rear Park Assist:** This feature detects the nearness of objects as the car backs up and alerts the driver.

Advanced luxury options that are available today include:

- **Voice Recognition:** Main functions, such as climate control, entertainment, audio and navigation systems, can be activated and controlled by conversational speech.
- **Radar and "Vision" Systems:** These systems allow the car to "see" and estimate the likelihood of potential traffic problems.
- **Spa-Style Seating:** Today's vehicles can come equipped with heated seats, massaging seats or seats with ventilated backs.
- **Remote Start:** This feature allows you to start your car and let it warm up while you stay snug in your house or office. Remote start can also turn on the defroster, stereo and adjust your seat.

### Decisions, Decisions

With so many choices available, the Internet can provide excellent research tools, including such sites as [www.nadaguides.com](http://www.nadaguides.com). Auto Web sites are increasingly including detailed selection tools, so that before you even get to the dealership you can already have in mind the model, color, trim and interior you would like, as well as whether or not you'd like to have wireless electronic gaming installed along with displays in the seatbacks to keep the family entertained on long rides.

Some cars start with push-buttons, and some no longer use traditional keys, opting for the credit card style that has been widely adopted by hotels. Going from a fairly straightforward vehicle to one that won't play music unless you remember the voice command to change the radio station can initially be a challenge. Most drivers would

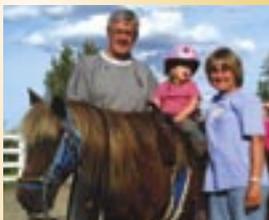
## automobile dealers in the community

### RALPH SEEKINS

Seekins Ford Lincoln Mercury, Fairbanks, AK

### PROVIDING A THERAPEUTIC RIDING PROGRAM

For the past 10 years, automobile dealer Ralph Seekins' horse farm has been the site of the Seekins Family Handicapped/Therapeutic Rider Program. This innovative program uses the multidimensional movement of the horse to treat disabled people of any age. All members of the Seekins family assist with the labor-intensive program, which requires up to three volunteers for each rider. The program has helped children make incredible strides: some go from not sitting up to being able to ride, and one rider won a gold medal at the 2003 Special Olympics World Championships. The program is now held year-round and has grown to accommodate 20 riders.



Beeth Austin



agree, however, that once you get past the learning curve today's "technocars" are truly exciting to drive.

### Headed for Hybrids

Becoming more popular is the hybrid vehicle, which has an engine that combines both fuel and electric power trains to reduce emissions and fuel consumption. Paul Taylor, NADA chief economist, says "This is an emerging technology that consumers are watching closely. These power features could significantly change the automotive industry landscape."

The hybrid's electronic propulsion system offers the advantage of engaging the internal combustion engine only when it can operate in its most efficient mode. The result is a vehicle that offers improved performance, improved fuel economy and lower emissions from any given amount of fuel.

The downside is that they are more complex, requiring more equipment and a lot more money to produce. It will be some time before supply catches up with demand, and hybrids will likely command a healthy purchase price premium over their more commonly powered competition in the foreseeable future.

### Buying a Pre-Owned Vehicle

Budget-conscious consumers can consider purchasing a pre-owned vehicle. Used cars are normally 20% to 30% less expensive than new cars, and you will also save money on insurance. Before you buy a pre-owned car or truck, visit [www.nadaguides.com](http://www.nadaguides.com), a comprehensive new- and used-vehicle Web site that provides consumers with one-stop information and values for a full range of vehicles. In addition, you can sign up with CARFAX ([www.carfax.com](http://www.carfax.com)) and purchase a vehicle history report, which could help you avoid buying a car with costly hidden problems.

Buying a certified pre-owned (CPO) vehicle from a dealership gives buyers a high level of assurance and security. CPOs are typically manufacturer-backed vehicles that have been put through rigorous inspections. In addition, CPOs typically come with extensive warranties and are often promoted with incentives not offered with new cars.



Don Mason/Corbis

## 21st-century service centers

### Quality Care for Today's High-Tech Cars

Today's cars and trucks are sophisticated machines composed of thousands of individual components harmoniously working together to transport drivers thousands of miles through harsh weather conditions. To ensure your vehicle delivers top performance and remains reliable for years, it is vital to adhere to the manufacturer's recommended service schedule and to have the work performed by expert technicians. Beyond the initial purchase, dealerships are uniquely qualified

to attend to a vehicle's life cycle needs, with a deep understanding of specific brands and models.

As vehicles become progressively more complex, notably with a growing number of electronic and safety systems, there is an increasing emphasis placed on continued education for auto technicians, ensuring they remain well versed on the best practices for diagnosing and addressing problems, as well as honing routine maintenance skills. At the dealership, technicians maintain and repair vehicles like yours daily, ensuring a growing knowledge base built from hands-on experience. If you have an elusive problem, these qualified technicians have likely resolved the same issue a hundred times for other customers.

### automobile dealers in the community

#### WAYNE THOMAS

Wayne Thomas Chevrolet, Asheboro, NC

#### A COACH FOR ALL SEASONS

Engaging children in sports and recreation is vitally important to their physical, mental and social health. Automobile dealer Wayne Thomas has dedicated 15 years to coaching local T-ball, Little League baseball and basketball teams, teaching children how to be team players, both on and off the field. Additionally, the Thomas family opens their home each summer to visiting college baseball players from the Coastal Plain League, giving the young athletes a family to come home to and establishing relationships that last a lifetime.



#### Value of Maintenance

Despite the escalating complexities found within today's vehicles, basic maintenance requirements have generally diminished, and the intervals have been made larger. For many models, sealed bearings and ball joints, along with self-adjusting valve trains, have abolished the need for chassis lubrication and valve adjustments. However, there are still many traditional wear elements that need periodic attention, such as air filters, coolant, oil, brake pads, chassis alignment, spark plugs and transmission fluid.

Within the owner's manual are specific guidelines for vehicle operation and maintenance, with service intervals typically listed for "normal" and "severe" operation. Read the descriptions carefully, as many drivers fall in the "severe" category, defined as including frequent short trips, towing, harsh hot/cold weather and dusty conditions.

Adhering to the maintenance schedule that best matches your driving conditions will ensure smooth, reliable vehicle operation and minimize potential mechanical surprises. Returning to the same dealership will enable the service manager to access the vehicle's repair history, aiding diagnosis and eventually serving as written proof of quality care at the time of resale. Lease programs carry service clauses to encourage the lessee to return the vehicle at the program's end in great shape, so the dealer can lease or sell the vehicle with confidence. Many luxury brands now include free maintenance during the bumper-to-bumper warranty period, knowing a well-cared-for car will serve the current, and the next, owner well.

### Digital Tune-Up

Computers with powerful processors are able to calculate all aspects of vehicle operation. Cars can use special computers to pulsate antilock brakes, determine engine timing and air-fuel mixture, adjust speed with radar-based cruise control and even cancel noise for clear multichannel sound reproduction. Tapping into existing systems, dynamic stability control coordinates engine management and brake systems to react with pitch, roll and yaw sensors to not only counter unsafe vehicle motions (such as sliding on an ice-covered turn), but even predict when such aid will be needed. To work with these vehicles, technicians are armed with their own mobile computing stations that can tap into the "onboard diagnostics" (OBD) systems, standard on all new vehicles since 1996. Via the OBD-II connector, technicians can learn about recent operating conditions, reading from more than 300 codes, and determine what, if anything, may require attention. With a touch of the "delete" key, the traditional auto mechanic has been replaced by the high-tech auto technician.

### Ethical Service

NADA has issued a strict code of ethics as a guide for its 20,000 member dealerships. In the service department,

### TIP: Vehicle Upgrades

As you may know, the dealership parts department provides direct access to official replacement parts for do-it-yourselfers. However, did you also know the dealership can order a wide array of factory, and sometimes third-party, components to upgrade and personalize your vehicle? A growing number of manufacturers are maintaining complete catalogs of aftermarket parts, such as cosmetic, engine and suspension upgrades engineered in-house and backed by a full factory warranty, if installed at the dealership. Best of all, if you purchase the modifications when you buy the vehicle, the cost of parts and installation can be rolled into your financing package.

this means skilled technicians provide quality care at a competitive price. All procedures should be explained to the customer's satisfaction, and performed only with prior authorization. Removed parts are available for inspection, and in the event secondhand or remanufactured components are used, there is full disclosure. The ethics code encourages all dealers to provide the customer with a fair and high-quality car-buying experience.



John Madere/Corbis

### Service Department Careers

Service presents one of the most promising career opportunities in a dealership, thanks to the digital age revolutionizing the field and the high demand for quality workers. Many technicians are turning their jobs into true careers, rich with challenges and financial rewards. (Service pay increases have out-paced inflation every year since 1988.) These dedicated individuals are using their hands-on experience and training to advance to shop foreman, service advisor and service manager positions.

A vital part of any dealership, high-tech service departments are an essential profit source, and they play a key role in long-term customer retention. As a measure of their impact, dealers invest more than \$5 billion in parts inventory and complete more than 200 million repair orders annually—more than one repair per licensed driver in the United States.

To get your service career in gear, consult your local dealership for recommendations for automotive schools and sales training programs in your area.



Don Mason/Corbis

## financing: fueling a smart transaction

With the average new-car price hovering around \$28,000, coupled with escalating education and real estate costs, most consumers seek financing to cover the expense of their new car. It is easier for most households to budget a monthly payment rather than withdraw a single, lump sum. Also, with attractive, manufacturer-supported incentives, investors can even choose to borrow at a favorable interest rate while aggressively investing their savings elsewhere.

There are many ways to seek financing assistance, but the general tenets remain constant: the creditor makes money available for an interest-based fee, covered by payments over a contracted period. Consumers can pursue “direct lending” by borrowing funds from a bank, credit union or finance company, thereby securing the loan before completing the dealer transaction. When the contract is finalized at the dealership, the lending institution pays for the vehicle, then looks to the borrower for monthly payments.

Most consumers turn to “dealership financing,” entering a credit agreement with the dealer, which may, in turn, secure funds through a manufacturer finance company. While the dealership may have negotiated the contract with the consumer, often the paper is sold to a finance company that will collect future payments. Because the dealership acts as the initial creditor in such a financing, it may retain a portion of the annual percentage rate (APR).

By far, dealership financing is the most convenient alternative option, providing true one-stop shopping. Often, dealers have multiple financing options and can integrate special manufacturer-sponsored incentives. Sharp consumers will pursue both finance methods, arriving at the dealership with a prequalified bank loan in hand and challenge the finance manager to compete for their business.

With either approach, payments are determined by the total amount financed, interest rate and term. If a traditional 36- or 48-month term requires a greater monthly payment than your budget can comfortably handle, extending the financing to 60 months can lower those bills. However, it is important to remember that the longer the financing, the more of your money goes to paying interest rather than principal. Consumers may want to consider gap insurance—a policy to protect the buyer from the difference between the vehicle’s replacement cost and the remaining loan amount. This monthly fee removes concerns of making payments on a vehicle that is tragically totaled; it will not, however,

### **automobile dealers** in the community

#### **ROBERT COCHRAN**

#1 Cochran GM Megacenter, Monroeville, PA

#### **SUPPORTING A HOME AWAY FROM HOME**

Family House is a nonprofit corporation providing a home away from home for patients and families traveling to Pittsburgh for treatment of serious illnesses. Automobile dealer Robert Cochran joined the Family House Board of Directors in 1998. Every year since then, his dealership has sponsored Family House’s major fund-raiser, an annual polo match that has become one of the most successful polo fund-raisers in the world. For 22 years,



Family House

Family House has been providing a comfortable haven to people during stressful times, and it continues to do so through support from its sponsors and the community at large.



Don Mason/Corbis

protect the consumer from being “upside down” (owing more than the vehicle’s worth) on an early trade-in.

### Lease vs. Buy

An increasingly popular means of acquiring a new vehicle, leasing allows consumers to pay for the portion of the vehicle’s “life” that is used, rather than buying it outright. Leasing, therefore, enables consumers to put a more expensive car in the driveway than would otherwise be possible because the payments do not add up to complete ownership.

As with a traditional purchase, the capitalized cost (selling price) can be negotiated before addressing the finance details. The finance manager will determine the difference between the cap cost and the projected residual value to calculate the depreciation that the lessee (customer)

## automobile dealers in the community

### JAMES MORRELL

Allstar Motor Car Corporation, Saratoga Springs, NY

### A COMFORTING PLACE FOR KIDS WHO NEED CARE

Children with cancer like to have fun just like any other child, but because their treatment requires so much hospital time they often end up missing out on a lot of their “kid time.” The Morrell Center for Childhood Cancer and Blood Disorders, which opened in Albany Medical Center in 2003, helps to give this “kid time” back to its young cancer patients. Made possible by a gift from automobile dealer James Morrell and his family, the center provides children being treated for cancer and blood disorders, such as leukemia, brain and stomach tumors and sickle cell anemia with a place to blow bubbles, play with dolls, read and play games with other children receiving treatment. The center is a place where kids can enjoy being kids, making the hospital experience easier for them as well as their families.



Albany Medical Center

### TIP: Know Your Credit Scores

The measure of your creditworthiness is distilled down to an assessment often referred to as the FICO (Fair, Isaac & Co.) score. This figure plays a large role with major financing, be it for an automobile or house, reflecting on your financial history and ability to pay. Those credit applicants with a higher score benefit from lower interest rates, as they are considered safer risks.

The FICO score is calculated based on payment history, outstanding balances, credit history, new credit and type of credit used. Before entering the finance arena, get a free credit report and learn how to improve your own FICO rating at [www.nadaguides.com](http://www.nadaguides.com).

will pay for. Often, the residual value is subvented by the manufacturer, giving it a slight boost to foster lease transactions. Rather than use a traditional APR, the lease is calculated based on a money factor to determine the finance costs. (To convert an APR to a money factor, divide the numerical percentage by 24. Example: 6% translates to .06, divided by 24 equals a .0025 money factor.) The calculations are completed by adding in administrative fees, taxes and lease term. To take full advantage of a lease’s benefits, limit terms to a period that is covered by manufacturer warranty.

Leasing carries special appeal to those consumers who prize a more premium vehicle than their budget would otherwise allow, favor having a new vehicle every two to four years, drive less than 12,000 miles a year, and take excellent care of vehicles. Because the dealership will again market the leased vehicle when it’s returned, contracts are structured to ensure it remains in top condition, including routine service. Read the small print to make sure you understand and agree to the contract terms. When the lease is over, the consumer typically has the option to purchase or return the vehicle, replacing it with another lease or traditional purchase.

Certainly, a closed-end lease (no money owed on depreciation at term end) carries true appeal, from the lower monthly payments to knowing that, in the end, a used vehicle won’t need to be sold privately or traded in. However, despite the worry-free conveniences, leasing is not for everyone: the mileage restrictions, potential wear-and-tear charges and early termination penalties can be too restrictive for some dynamic lifestyles.

Objectively, traditional buying is most often the better long-term strategy, with true ownership as the ultimate goal. As a vehicle ages, its rate of depreciation reduces, meaning that it loses less value in year four than year one. Therefore, barring mechanical failures, an older vehicle is more cost-effective to operate. However, personal preferences and immediate budget constraints can make leasing the perfect solution for many.



## insurance: essential protection in a risk-filled world

When buying a brand-new vehicle, the last thing consumers want to contemplate is having a machine that represents years of freedom and payments reduced to crumpled scrap metal. But now is exactly the time to consider how to best protect your investment, family and even non-automotive assets.

Each year, a million crash-related injuries occur on suburban and urban roads, according to the Insurance Institute for Highway Safety. Further, the FBI reports that more than a million vehicles are stolen each year. The numbers paint a grim picture, and, automotive insurance is clearly a necessity, especially because cars become more complex over time, likely meaning that the cost for physical repairs has increased since your last new vehicle. Transferring coverage from your old car to the new one is an easy move, but this is a good time to evaluate your protection needs and seek the best rates available, as it's likely been years since you last comparison shopped.

### TIP: Free Insurance Quote

Visit [www.nadaguides.com](http://www.nadaguides.com) to request a quick, competitive insurance quote.

Most states require auto insurance, with modest liability minimums, though less than half require uninsured/underinsured motorist coverage. It is necessary to

satisfy these legal requirements, but mature drivers with assets and family to protect should look well beyond the minimal standards to safeguard investments. In addition to potential car replacement costs and medical bills, most states allow victims to sue the at-fault driver, creating even greater monetary risk.

### The Right Coverage at the Right Price

Consult with your insurance provider to ensure the right balance of protection for your specific needs, factoring in your vehicle, geography, forecasted annual mileage, alternative medical insurance and personal assets.

Choosing the right vehicle is the primary variable in getting a comfortable annual rate. Each vehicle has a different index rating that represents the statistical risk the insurance company will bear in underwriting it. As a

consequence, it pays to consider the insurance cost before you make your vehicle purchase so you understand the complete cost of ownership.

### Extended Warranties

Another form of insurance is an extended warranty, available on both new and pre-owned vehicles. Dealers can provide policies from the manufacturer and third parties that supplement the standard protection the vehicle comes with. Most new cars carry a traditional three-year, 36,000-mile bumper-to-bumper warranty that falls short of a common four-, five-, and six-year ownership period.

In addition, the dealer can arrange for a policy to continue on after the standard protection expires. Be sure to understand the benefits and restrictions when selecting a policy, looking specifically at repair qualifications, where the work must be performed and if the coverage is transferable, should the vehicle be sold sooner than expected. For many consumers, the solace found in eliminating the risk of an expensive repair is well worth the additional monthly charge.

## automobile dealers in the community

### TAMARA DARVISH

DARCARS Toyota of Silver Spring, Silver Spring, MD

### FUND-RAISING FOR A CURE

This year marks the 15th anniversary of one of the nation's largest golf tournaments, the Bobby Mitchell/Toyota Hall of Fame Golf Classic. It is also the fifth year that automobile dealer Tamara Darvish has led the fund-raising efforts as the chairman, raising \$680,000 for The Leukemia & Lymphoma Society's National Capital Area Chapter. The tournament invites participants to dine, meet and mingle with more than 40 of the greatest athletes of our time, including: Bill Russell, Gale Sayers, Sonny Jurgensen and Sam Huff. The charity is committed to curing blood-related cancers while improving the quality of life for the Society's patients.



NFL Hall of Famer Bobby Mitchell

# auto shows: showcasing cars and supporting their communities

## Auto Shows Embrace Innovation

Vehicles at the shows range from futuristic concept cars, elegant classics and exciting exotics to the latest in new cars, trucks, SUVs and crossover vehicles.

The New York International Auto Show (NYIAS) is North America's first and largest attended auto show. It will showcase some of the hottest concept and production cars, providing a window on the future of automobile design and technology. For more information, visit [www.autoshowny.com](http://www.autoshowny.com).

## Gala Preview Is a Significant Fund-Raising Event

In 2005, Ferrari Maserati North America hosted a preview of the auto show, raising funds for the East Side House Settlement (ESH). Held amid a backdrop of vintage Ferraris, Maseratis and Formula One cars, more than 1,600 top executives, car enthusiasts and influential leaders attended. The highlight was a live auction of a Maserati Gran Sport Limited Edition. The event, which wouldn't have happened without the NYIAS, raised more than \$500,000 for scholarships and technology training for ESH programs.

The ESH is a community resource providing hope, help and results in the South Bronx. Stressing the importance of education, the ESH's focus is on critical developmental periods—early childhood and adolescence—and critical junctures at which people are determined to become economically independent. It supplements the public school system and places college within the reach of motivated students. The ESH also provides career readiness training to enable students to improve their economic status. For more information, visit [www.eastsidehouse.org](http://www.eastsidehouse.org).



East Side House Settlement

## automobile dealers in the community

### TAKING THE TIME TO GIVE BACK

Many automobile dealers believe in giving back to the communities where their businesses have flourished and their employees work. The dealers mentioned in this section were selected from recent finalists of the TIME Magazine Quality Dealer Awards. These awards salute the exceptional performance and distinguished community service of new-car dealers in America. The program has run for more than 30 years.



For more information, visit [www.nada.org](http://www.nada.org).

## 2006 AUTO SHOW DATES

San Diego International Auto Show  
December 28, 2005 - January 1, 2006  
San Diego Convention Center, San Diego, CA

North American International Auto Show  
Early January 2006  
Cobo Hall, Detroit, MI

Los Angeles Auto Show  
January 6-15, 2006  
Los Angeles Convention Center, Los Angeles, CA

Utah International Auto Expo  
January 13-16, 2006  
South Towne Exposition Center, Sandy, UT

West Virginia International Auto Show  
January 20-22, 2006  
Charleston Civic Center, Charleston, WV

Pennsylvania Auto and Boat Show  
January 25-29, 2006  
Pennsylvania State Farm Show Complex, Harrisburg, PA

Northeast International Auto Show  
January 26-29, 2006  
Rhode Island Convention Center, Providence, RI

Chicago Auto Show  
Early February 2006  
McCormick Place South, Chicago, IL

Greater Milwaukee Auto Show  
February 25-March 5, 2006  
Midwest Airlines Center, Milwaukee, WI

Virginia International Auto Show  
March 10-12, 2006  
Greater Richmond Convention Center,  
Richmond, VA

First Hawaiian International Auto Show  
April 6-9, 2006  
Hawaii Convention Center, Honolulu, HI

New York International Auto Show  
April 14-23, 2006  
Jacob K. Javits Center, New York, NY

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