



Learn What You Need to Know Before Trading in Your Car

Description

Before you walk into a dealership to trade in your automobile, you should know how much it is worth and how much you owe on it.



The more knowledgeable you are about your car and how trading in a car works, the more confident you will be during the process. Below, we'll go over the trading-in process and offer advice on how to get the most out of your trade-in.

Understanding the cost and worth of your vehicle

When you trade in a car, you sell your vehicle to a dealership as part of the transaction of purchasing

or leasing another vehicle. Most traditional dealerships will not buy your vehicle entirely, but will accept it as a trade-in, with the condition that you apply any equity from your trade-in toward the purchase of your new vehicle. Some companies, such as CarMax, offer to buy consumers' vehicles entirely, in which case the transaction is deemed a sale rather than a trade-in.

When trading in a car, you should expect to see four types of prices: wholesale, trade-in, private, and retail. Each price is calculated as follows:

Price or value at wholesale: The wholesale price is the auction price of the automobile. Some dealers buy secondhand cars at auction and resell them. The price they pay is the wholesale value, and it is usually the lowest of the four trade-in value prices you can see.

Price or trade-in value: If you trade in your automobile, you can normally expect a value similar to the vehicle's wholesale value. Your vehicle may be worth more if there is a big demand for it or if it is in excellent condition.

Private sale price or value: This is the amount you could anticipate to receive if you chose to sell your vehicle privately to another consumer, such as through Craigslist or other platforms. This figure is typically greater than the trade-in value.

The retail price or value is what you would expect to pay for an automobile at a dealership.

How to Trade in a Car

Determine the value of your trade-in.

Dealers utilize a variety of sources to assess the value of your used automobile. They can look up wholesale prices in the Black Book or Blue Book. To get a decent indication of what they might pay you, consult an industry guide like Kelley Blue Book (KBB) to determine the value of your trade-in. You must be aware of the vehicle's make, model, mileage, and condition. According to KBB, approximately 54% of trade-in vehicles are in "good condition." The four most popular industry guides for automobile appraisal are shown below. The first three are available to the public for free online. Black Book is a trade publication that dealers can access for a charge.

- The Kelly Blue Book
- National Automobile Dealers Association Edmunds Guide
- The Black Book

"When you trade in a car, the dealership will not offer you anything more than the rough-to-average wholesale price for the vehicle," says Steve Lang, an Atlanta-based auto auctioneer and automobile dealer who co-created the Long-Term Quality Index. Expect a low offer from the dealer, and attempt to get at least the trade-in value for your automobile. The only times you won't be able to collect trade-in value are if your car was in a serious accident or has a salvage title.

How much is my truck worth?

You might use the same industry guides mentioned above to determine the value of your pickup truck.

If you want to know how much your truck is worth and you own a commercial vehicle, you could:

Purchase a Price Digests report. It used to be known as the Truck Blue Book, and it allows you to find out how much a truck is worth by searching its vehicle identifying number (VIN) or the year, make, and model. However, unlike passenger car evaluations, the Price Digests report is not free. A single report costs \$29.95. Subscriptions for truck valuations start at \$419.95 and go up to \$999.99 if you also want to value trailers, RVs, powersport vehicles, and other vehicles.

Check the prices of comparable automobiles. Examine dealers' online inventories and classified ads in industry publications to determine the asking price for vehicles identical to yours so you may estimate the retail value of your truck.

Determine how much you owe on your car.

You're in business if you have a free and clear title with no liens on it. Find out how much you still owe on your trade-in. With a loan, you might still sell or trade in an automobile. Inquire with your lender about the payoff on your auto loan. Compare how much you owe on it versus what it's worth as a trade-in.

If the value of your automobile exceeds the amount owed, you have positive equity and can use the difference as a down payment on a new car, perhaps lowering your monthly payments. For example, if you owe \$10,000 on a car worth \$15,000, you'd get a \$5,000 credit toward the purchase of a new automobile.

If your car is worth less than what you owe, don't worry; you can still trade it in, but you'll need to fund the difference with a down payment or roll it into your new car loan. If you include it in your new car loan, be aware that your payment and interest rate may rise. For example, if your car is worth \$20,000 but you owe \$25,000 on it, you might roll \$5,000 onto your new auto loan. Here's more information on how to get out of a bad vehicle loan.

Is it possible to trade in a leased car?

Yes, and the procedure is comparable to trading in a car that has a loan on it. The dealer will determine the trade-in value of the vehicle and pay off the lease company. If the automobile is worth more than the lease payment, the positive equity contributes toward your new car. If it is worth less, you must pay the difference.

How much do auto dealerships profit from trade-ins?

According to industry sources, dealers can earn between \$1,000 and \$2,000 by reselling trade-ins. If you want to know how much the dealer can make on your car, compare the retail value to the trade-in value. The difference is essentially what the dealer could gain by reselling your automobile, excluding any cleaning and repairing fees as well as any business overhead expenses such as advertising.

Look around for trade-in values.

Trade-in offers might vary based on what the dealer already has in stock, the condition of the vehicle, and how well the dealer believes the vehicle will sell. Get a couple trade-in bids from multiple dealers to avoid some of the back-and-forth negotiations with one dealer. Get a quote from one, then go to another and ask it to beat the first. Make certain that all offers are in writing. Here are some possible destinations:

A dealership of a separate brand. Take your vehicle to a dealer who does not sell your vehicle's brand. Taking your Ford to a Nissan dealer, for example, because a non-Ford dealer may offer you a better deal. There are fewer Fords to compete with, and "if the car you're driving was a popular rental, lease, or fleet model, they also transact at cheaper pricing," adds Matt DeLorenzo, managing editor for Kelley Blue Book. If you travel to the same brand's dealership, you may be "competing against those depressed prices with your privately owned vehicle."

A secondhand automobile dealership. CarMax advertises rapid, free trade-in quotations, so going there may be a relatively straightforward way to acquire a written trade-in offer.

Services available online. Some websites will buy your trade-in online. An offer from an internet business may be handy whether you trade in your automobile for a new one or sell it through an online site. One website you could try is KBB Instant Cash Offer.

Collect documents

You'll need the following documentation to formally trade in your car.

Title to a car Bring the title if you own the vehicle. This demonstrates that you legally own the vehicle and have the authority to transfer ownership. Don't get too worked up if you lose the crown. Dealerships normally maintain a paperwork on hand that you may sign if you need to replace a missing title. However, you must still establish ownership, which you may accomplish using your car registration.

Vehicle registration. Whether or not you paid off the car, the registration may serve as proof of ownership.

Information on loans. If you're still paying off the car, bring your loan information with you, including the lender, account number, and the amount you still owe.

Records of maintenance. Bringing these could help demonstrate that you've taken care of the automobile and that it is worth a premium price because it is in decent, if not prime, operational condition.

Negotiate

"Come in with a good notion of what your vehicle is worth and what you're ready to compromise for,"

adds DeLorenzo. Dealers will frequently make a low offer and expect you to negotiate up. However, you should not accept less than what an industry reference suggests your trade-in is worth.

Pointers are being negotiated. Here are some things to consider while negotiating the value of your trade-in at the dealership.

? If a dealer representative says the trade-in value you looked up doesn't apply because they use a different guide, ask which guide they used and look up the worth of your car on your smartphone using that source. Check to see if they are being truthful about the pricing. If you're underwater on your auto loan, ask the dealer to cover the difference, even if it's greater than the car's value. When you're wanting to use your trade-in to help acquire a new vehicle from that dealership, it could be your beginning point for negotiation. You never know what you might get unless you ask.

? Make certain that the dealer does not raise the price of the automobile you wish to buy in order to compensate for agreeing to a decent trade-in price. This is a popular strategy employed by dealers who want to focus on their own bottom line profit. It's simple to avoid – simply ensure that the price of your new car does not increase on any paperwork after you consent to it.

The benefits and drawbacks of trading in your car

Advantages

Speed and simplicity. Once you've decided on a vehicle, the dealership will handle the rest of the paperwork. When compared to selling the car on your own, you could save yourself weeks of searching for customers.

Problems with repairs If your car has major engine or transmission problems, you may be able to get a higher price from a dealer who won't have a hard time finding the parts and competent personnel to fix it rather than selling it on your own to someone who may not have the time or money to complete the repairs.

Possible sales tax exemption. If you have a trade-in, you may be able to obtain a tax discount on your new automobile depending on where you live.

A non-cash down payment. If you have positive equity in your trade-in, it can be used as a down payment on your new automobile, allowing you to have a down payment without having to come up with the money yourself.

Downsides

There are few alternatives. Finally, you must work with the dealer who owns the vehicle you wish to purchase, and you are limited to whatever trade-in price one dealer agrees to. If the dealer's trade-in offer is unacceptable, you'll have to look for another vehicle at a different dealership.

Spend less money. If you want to earn the most money for your trade-in, you're usually better off selling the automobile yourself, despite the difficulties.

There are no assurances. Once you trade in your car and sign all the papers, the dealership has the legal right to sell it even if the sale for your new car falls through due to credit or another financial difficulty.

Is it worthwhile to trade in your car?

The gap between your automobile's retail value and its trade-in value is an easy way to determine whether trading in your car to a dealer is worthwhile. For example, if your automobile has a retail value of \$12,000 and a trade-in value of \$10,500, you're effectively paying the dealer \$1,500 to clean, repair, and sell your car for you, complete with the necessary paperwork and a trip to your state's Department of Motor Vehicles (DMV). If you don't think the price difference is worth it, consider selling it privately. If you believe the difference is worthwhile and/or you are unable to sell it on your own, trading in your car is an option to consider.

Category

1. Lifestyle

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