



How to Determine the **VALUE OF A USED CAR**



How to Determine the Value of a Used Car

The value of a used car can vary drastically based on a variety of factors, such as the model year, mileage, condition, trim level, optional equipment, and more. Whether you're looking to sell a car that you own, or purchase a used car from a dealer, you'll want to be sure to conduct thorough research, so you know how much the car is worth. Luckily, there are a variety of resources that you can use to determine the value of a used vehicle, each using a slightly different methodology. You can use any or all of these resources to get an idea of the car's overall value before you buy or sell!



USED CAR VALUATION RESOURCES

Here are our top favorite resources to use when determining the value of a used car to buy or sell...

Kelley Blue Book®

Kelley Blue Book® is a classic, reliable resource that provides a number of different ways to value your vehicle. The tool uses comprehensive surveys of actual sales to determine an average price for the car.

- **Retail Value:** Average price listed by dealerships for the vehicle.
- **Trade-In Value:** Price a dealer will pay you to trade in your vehicle toward the value of a new or used car purchased from their lot.
- **Private Party Price:** Average price listed by private sellers for the vehicle.

Edmunds®

Edmunds® offers a useful True Market Value® tool, which features two different kinds of pricing calculations. The tool uses data from cars listed for sale internally through Edmunds® to determine an average price for vehicles similar to yours. The Used Vehicle Appraiser price is determined by comparing the final sale price of cars similar to yours that have been sold recently. The True Market Value® Calculator is more real-time, as it estimates the current average price being paid for vehicles in your area.

National Automobile Dealers Association (NADA)

This comprehensive tool considers the mileage of the vehicle, in addition to the factors used by other valuation tools, providing an even more precise price. NADA doesn't just value typical consumer cars; you can also find helpful pricing information about boats, motorcycles, RVs, and more.

Autotrader®

This is a highly localized tool, which is great because used car prices can vary greatly based on location. This tool uses data from similar vehicles for sale in your area to determine an average price for your car. Some data used in comparisons include:

- The number of similar cars listed for sale locally.
- Average asking price from a private seller.
- Average asking price from a dealership.
- Overall average asking price.

Bank Value

If you plan to pay for your used vehicle with a loan from the bank, you can head there to get a valuation based upon the loan that the bank is willing to provide for that vehicle. Keep in mind that this number isn't the same as the actual selling price of the vehicle, but instead is the bank's estimated cash worth of the car. Essentially, the number the bank provides is a percentage of the wholesale price of the car, and will also be determined by your credit score.

Wholesale Value

Understanding the wholesale value can be helpful in determining what a fair price is for the vehicle since the wholesale value is the price that the dealership expects to pay for the vehicle. You can use this number as a benchmark to compare vehicles, and also to see how much profit the seller is making on the car. This can be useful for negotiating the price in a way that's beneficial for both parties.

Residual Value

If you're purchasing a used car that's only a year or two old, you'll want to take a look at the car's residual value. This is the value of the vehicle after it's depreciated during the course of a lease to another driver. Cars experience the most depreciation within the first few years of ownership, so you'll want to be sure you know exactly what the car is worth before buying or selling. Banks may be able to provide this information, or you can check out the Automotive Lease Guide, which has the authority on the value of leased cars.



STEPS TO BUYING A USED CAR



Pricing isn't the only important factor when you're looking to purchase a pre-owned vehicle. You won't want to miss a single detail before you drive your car off the lot.

These are the most important steps you'll need to take before driving home in your pre-owned car...

Set Your Budget

Decide how much you can afford to spend on a vehicle, and set a budget that makes sense for your financial situation. A dealership can help you finance your purchase with a loan or lease plan, so that could be a great option if you don't pay cash up front.

You can use an auto loan calculator to find out what the monthly payments on a certain model will cost you. You can also determine a monthly payment that you'd like and work backwards to figure out the vehicle price you can afford, so you know which models to look at.

As a general rule, you should plan to pay about 10% of the car's overall price up front, followed by paying monthly for three years or less. Your monthly payments should ideally be no higher than 20% of your monthly take-home pay—that's all of your income after tax.



Choose a Car

The next step is to find the perfect used car for you! You'll want to start by creating a list of features that you can't live without. If you live somewhere snowy, that might mean you want all-wheel drive. If you live in a hot climate, you might want automatic climate control. Some things to consider are the number of passengers you'll need to carry, the amount of cargo space you'll need, the safety score you want, the amount of engine power you want, and the fuel efficiency you'd like your vehicle to have.

If you're shopping at a dealership, there's likely to be a number of options in their inventory that'll meet your needs. Most dealers will list all their cars online, so you can even browse what they have in stock without heading to the dealership.

Price the Car

You already know how to do this! Simply check a couple of the resources mentioned above for the model you've decided on, and you'll be able to determine the value of the car quickly and easily, and see if it fits into your budget.



Check the Vehicle History Report

This is an important factor in making sure that the car is in good condition and has been treated well by previous owners. You'll want to look out for any collisions the car has experienced in the past, and make sure that repairs were completed by a reputable mechanic. Check that the car has received regular maintenance services throughout its lifetime. You can also double-check the car's mileage on the report and make sure that it matches the mileage on the odometer.

Cars with a salvage title have been in a serious accident in the past that required them to be rebuilt. This means the car will have a low resale value, so it's something to keep in mind if you plan to sell or trade a vehicle in for something new in a few years.

Take a Test Drive

Even if a car has every feature you want on paper, you can't know if you'll truly love it until you get behind the wheel and drive it yourself. Remember that you'll likely spend quite a bit of time behind the driver's seat. So, make sure the seats are comfy, you can reach all the important controls, and you have a wide, clear view of the road with small blind spots. Test out the car's acceleration, braking, and cornering abilities, and be sure to listen for any unusual noises that could indicate that the car needs a fix before you buy.

While you're in the car, check that the carpets are clean and the seats are in good condition. Check the outside of the vehicle for scratches, dents, and other imperfections. You can also make sure that there are no rusty or dirty parts hiding under the hood.





Drive Home!

Once you've decided on the perfect car for you, and agreed on a price with the seller, you can sign for the car and hop behind the wheel.

Congratulations! You've just purchased your pre-owned vehicle. Now, you're ready to hit the streets and enjoy all your hard work!

