



Buying a car on a budget

When you're going to buy a car, set a timeline. Never make any hasty decisions or buy impulsively. Do your own window shopping and look for car dealers within your area. You should find at least three options, and compare their prices.

CARFAX recommends using the "50-30-20" rule, dividing your take-home pay into three general spending categories:

- **50% for needs**: housing, food and transportation — Your monthly car payment and related auto expenses fall into this category.
- **30% for wants**: entertainment, travel and other nonessential items.
- **20% for savings**: paying off debts and long-range financial goals.

If you're planning on financing your new car, remember: longer-term loans might give you smaller monthly payments, but you'll be in debt for longer and you could end up paying thousands more in interest charges by the time it's paid off. If you're not planning on financing your new car, then the "10%-20% rule" applies. Calculate 20% of your

annual income to determine what you can afford to spend on a vehicle. For instance, at \$24,000/year, you'll be able to spend \$4,800

yearly (\$400/ month) on your vehicle ($\$24,000 \times .20 = \$4,800$). Don't forget that on top of your car payment there are extra auto-related expenses. This includes insurance, gas, repairs and maintenance, etc.



For these random expenses, set aside some money every month so that when these situations come up, you're prepared.



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