

FINANCE WITH THE FRIDAYS TREASURER

A Financial Literacy Newsletter

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Finance Fridays

is a publication of the N.C. Department of State Treasurer. Treasurer Brad Briner is focused on preserving, protecting and sustaining the state's pension and health care plans. Briner was most recently the Co-Chief Investment Officer for Willett Advisors and has held positions at Morgan Creek Capital, the UNC Management Company, ArcLight Capital and Goldman Sachs.



Bottom Line With Brad BUYING A CAR

I have a confession to make: I am not a car guy.

I can discuss investment portfolios, interest rates and pension liabilities for longer than most people would consider healthy. But if you open the hood of a car and ask me what I am looking at, I will confidently say “the engine” and hope you change the subject.

That may help when buying a car. Cars inspire strong emotions. Personal finance generally works better when those emotions remain in the passenger seat.

A car is necessary for most North Carolinians, but it is also one of the largest expenses in a household budget. The goal is not to buy the nicest car a lender says you can afford. It is to buy a dependable car that meets your needs at the lowest reasonable total cost.



We are going to go in depth on each phase of car buying throughout the newsletter - but here some great rules to begin with:

Never negotiate based only on the monthly payment

A salesperson may ask, "What monthly payment are you looking for?" That sounds helpful. It is also a little like a magician asking you to watch his left hand.

Almost any car can be made to fit a monthly budget if the loan lasts long enough. A \$600 payment for five years and a \$600 payment for seven years sound identical — except the second one includes 24 additional opportunities to deduct \$600 from your account.

Instead, ask four questions:

1. What is the total out-the-door price?
2. How much am I borrowing?
3. What is the annual percentage rate?
4. How much will I pay over the entire loan?

The monthly payment matters. It just should not be allowed to hide everything else.

Set the budget before you shop

Start at home. Do not begin by wandering around a dealership waiting for a vehicle to speak to you. Vehicles become remarkably persuasive when they have all the latest features.

Also, do not empty your emergency fund for the down payment. Owning a car without enough cash to fix it can be financially dangerous.

Shop for the loan separately

If you plan to borrow to make the purchase, seek pre-approval from a bank or credit union before visiting the dealership. That gives you an interest rate and loan amount to compare with the dealer's offer. The dealer may beat it, which is great. But without another offer, you cannot know whether the financing is competitive.

Negotiate the vehicle price, financing and trade-in separately. Combining everything into one monthly number makes it difficult to see where you are getting a good deal and where you are not.



Consider used – but inspect it

New cars offer warranties and the latest features, but they generally cost more and tend to lose value fastest in their early years. A reliable used car may let someone else absorb some of that depreciation.

But “used” does not automatically mean “bargain”. A cheap car that immediately needs a transmission is simply an expensive car in disguise.

Review the vehicle's title and history, check its identification number for unrepaired safety recalls and have an independent mechanic inspect it. A vehicle-history report is helpful, but it only includes events that were reported. Cars, like some teenagers I know, do not always provide a complete account of where they have been.

If the seller will not allow an inspection, you should probably move on.

Read before you sign

The finance office is often where an apparently completed deal add on extended warranties, service contracts, theft protection, paint protection or something miraculous involving the air in your tires.



Some add-ons may be useful, but none should appear without your informed agreement. Ask whether each product is optional, what it costs and what it actually covers. If it is added to the loan, remember that you will also pay interest on it.

If the numbers change or you feel pressured, leave. Walking away is the buyer's most powerful negotiating tool — and, unlike undercoating, it is free.

Finally, once you find a safe and reliable car, keep it. Frequent trading means repeatedly paying transaction costs and absorbing the early years of depreciation. After the loan is paid off, continue putting part of the old payment into savings for repairs and your eventual replacement vehicle.

I may never become a car guy. That is all right. You do not need to understand every part under the hood to make a sound financial decision.

Know what you need. Compare total costs. Shop for financing. Read the contract. Be willing to leave.

The best car is not necessarily the one that turns the most heads. It is the one that gets you where you need to go — without driving your financial plan into a ditch.



Demystifying: Get in Gear Before You Buy



By DST Staff

Buying a car can feel confusing because costs and choices are packed into one purchase. Let's demystify the basics.

First, decide whether you want to own or lease. When you own a car, it belongs to you after you have paid for it. You can keep it as long as you want, drive as many miles as you want and sell it later.

Leasing is more like a long-term rental. You make monthly payments to use the car for a set period, often two or three years. At the end, you return it or pay an agreed-upon amount to buy it. Leases may offer lower monthly payments, but they often include mileage limits, charges for extra wear and other fees. You also do not build ownership, sometimes called equity.

If you buy a car without paying the full price upfront, you will probably need financing. Financing simply means borrowing money to make the purchase. An auto loan is the most common type of car financing.

With a loan, you may make a down payment. The remaining amount is the principal — the money you borrow. The lender charges interest for letting you use that money. The annual percentage rate, or APR, shows the yearly cost of borrowing, including interest and fees. The loan term is the amount of time you have to repay it.

A longer loan term can lower your monthly payment, but you may pay more interest overall. That is why the lowest monthly payment is not always the best deal.

Finally, remember that the car payment is only part of the cost.

As you If a term is unclear, ask the dealer or lender to explain it in plain language.

We hope this month's newsletter will steer you in the right direction.





By Tomi Mikula,
Founder of Delivrd

Almost everyone will have to buy a car in their lifetime, but it's common for people to experience buyer's remorse after making an impulse purchase and not doing enough research.

I spent years on the finance side of the dealership before I started negotiating deals for buyers instead. I understand the importance of walking in prepared, because I know exactly what happens if you don't.

Knowledge is your greatest asset, and you should use it to your advantage. Car buying isn't scary; you just have to know how to prepare.

The Shopping Phase

Car buying begins with the shopping phase. Before you look at any cars, have an idea of what's important to you. Not everyone's priorities align. Some people are looking for safety, while others aren't willing to compromise on cosmetic features, like a sunroof or heated seats.

Understand what kind of car suits your lifestyle. Parents may want extra trunk space for sports bags or automatic doors to avoid children opening doors carelessly. A longer commute may lead you to choose a more fuel-efficient vehicle. Be honest about your priorities, and understand how certain features affect the overall price.



Research, watch videos and test drive to find the car that meets all of your needs and fits in your budget. Once you have your top choice, you can begin the buying phase.

Competition Drives Down Price

Now, you've entered the buying phase. I recommend doing this part from home. Start by calling dealerships in your area and asking for the out-the-door quote on the exact vehicle you want. Once you have that in writing, you can take that quote to other dealerships and find the



best offer. Be sure to ask about discounts, doc fees and rebates to see which dealership will give you the best deal.

Time and attention to detail are the most important factors when going through the car-buying process. Feel confident enough to ask questions and negotiate without giving in to any pressure from the dealership.

Calculate the Monthly Expenses

Dealerships will often try to push what your monthly payment will be. While that information can be helpful, it's not the only thing you have to consider. Understanding what your monthly cost will be for all payments related to your new ride will help mitigate buyer's remorse and keep your budget balanced.

Consider the following:

- Know if you're going to make a down payment, purchase with cash, get a loan or lease. That will determine whether there will be a monthly payment or not and how much it will be if you move forward.
- Get an insurance quote on the specific make and model you're considering before you drive it home.
- Fuel charges will vary based on the kind of vehicle you purchase.
- Maintenance costs for luxury brands are often higher than maintenance on non-luxury brands.
- Registration and taxes will always be tacked on at the end of the purchase.



Each of these factors will affect your monthly costs. Understanding what each one will add up to before contacting the dealership will only help you.

Review Everything in Detail

Once you've received the best deal in writing and you've calculated your total cost, you can move forward with finalizing the purchase. Dealerships expect you to come in and spend hours agonizing over every detail. They're counting on you being tired, hungry and ready to sign anything to leave. Take your time, and review each sheet presented to you.

After the paperwork is signed, analyze the vehicle with the same precision. New cars should be in new condition. Ensure everything is exactly how it should be before you drive off the lot.

Trust the Process

Car buying is an emotional and stressful process. Take your time, and you'll feel completely in control. You will land the dream in your driveway without feeling any buyer's remorse.



Buying a Car?

Make Sure You Have the Right Kind of Insurance



By Mike Causey
North Carolina
Commissioner of Insurance

Now that you've decided to buy a car, one of the things you'll need to consider is automobile insurance.

You may want to consider the cost of insurance when deciding what kind of car to buy. Muscle cars, high-power cars and sports cars can come with higher insurance premiums, as can new and more expensive cars.

North Carolina state law requires you to have liability insurance, along with uninsured and underinsured motorist coverage, to put your car on the road. If you have a loan, your bank is going to require you to have full coverage, including collision and comprehensive insurance. Even if you pay cash or have paid off your car loan, maintaining full coverage insurance on your car can help you guard against financial hardship should your car be damaged in a wreck, by a storm or be vandalized or stolen.

Liability coverage, the most vital part of your insurance policy, protects you in case you are at fault in a crash that causes damage to someone else's property or injures someone. State law requires that motorists maintain a minimum 50/100/50 liability coverage. That means if you are at fault in an accident, your insurance would pay up to \$50,000 to any one person for an injury, up to \$100,000 for all injured persons and up to \$50,000 for property damage.



Many insurance agents recommend that you obtain even higher liability coverage. That's because the cost of automobiles and medical care these days is expensive. While higher coverage may cost more, having more coverage could protect you in the long run.



Uninsured motorist coverage covers injuries to you and your passengers as well as damage to your car if an uninsured driver hits you. Underinsured motorist coverage pays injury claims when an at-fault driver does not have enough insurance to fully pay for your loss.

Full coverage includes collision coverage and comprehensive coverage. Collision coverage pays for damage to your car from a collision with another car, or when your car hits an object (such as a tree or a sign), a pothole or flips over.

Comprehensive coverage, sometimes called other-than-collision coverage, pays for damage to your car that is not caused by a collision. Examples of such damage include theft or vandalism, weather damage, flood, fire or impact with an animal. Comprehensive coverage will also pay to repair or replace your windshield if it gets cracked by gravel striking it.



Collision and comprehensive coverage will come with deductibles. That's the amount of money you'll pay up front for repairs before the insurance company starts paying.

You can lower your insurance premium with a higher deductible, especially for collision coverage. However, a higher deductible means you'll pay more up front if your car is damaged and you have a claim. There is no one-size-fits-all rule that applies. It's an individual decision. Discuss with your insurance agent what you think you can afford when determining your collision deductible.



Some other types of automobile insurance you may wish to consider include GAP (guaranteed auto protection) insurance, which could help you if the amount you owe on your car is more than it is worth and your car is damaged; rental insurance, which covers the cost of renting a car while your own vehicle is in the shop undergoing repairs; and roadside or towing coverage, which reimburses you for your costs if your car is disabled.

Finally, I encourage you to get quotes from multiple insurance companies before choosing your policy and paying your premium. Make sure you're making apples-to-apples comparisons, including the deductible amounts and liability limits. Also, make sure you ask your agent if you're eligible for any discounts, such as safe-driver or bundling discounts.

If you have questions regarding insurance, the Department of Insurance is happy to help. You may call us toll-free weekdays from 8 a.m. to 5 p.m. Or you may visit www.ncdoi.gov.

Good luck with your automobile purchase, and safe travels!



CAR LOANS 101

What to Know Before You Finance



By Joe Mecca
VP, Communication
Coastal Credit Union

A vehicle is the largest purchase most people make outside of a home. While choosing the right car matters, understanding how you'll pay for it is critical. A loan spreads your cost over time, but if you don't understand the terms, you could pay more than expected.

Lending Terms to Know

Before you sign any paperwork, familiarize yourself with a few common financing terms you'll encounter during the process:

APR (Annual Percentage Rate): The yearly cost of borrowing money, expressed as a percentage. APR includes the interest rate and certain lender fees.

Principal: The amount you borrow to purchase the vehicle. Vehicle-related costs outside the sales price, such as sales tax, title and registration/tag fees, and dealer documentation fees, affect the amount you need to borrow.

Interest: The cost you pay to borrow money. The lender charges interest on the remaining balance of your loan.

Loan Term: The time you have to repay the loan, usually expressed in months such as 48, 60, 72, or 84 months.

Down Payment: Money you pay upfront toward the purchase. A larger down payment reduces the amount you need to borrow.

Monthly Payment: The amount you must pay each month until the loan is paid off.

Gap Insurance: Optional coverage that helps pay the difference between what you owe on your loan and what your vehicle is worth if it is totaled or stolen. It can be especially helpful if you make a small down payment or finance a vehicle that may depreciate quickly.

Understanding these is important, but there's another concept that may be even more important: focusing on the **total cost of the purchase**, not just the monthly payment.

Get Financing Before You Shop

One of the smartest steps you can take is securing financing before visiting a dealership. Obtaining pre-approval from a credit union or bank gives you several advantages.

First, you'll know how much vehicle you can afford before shopping. Second, you strengthen your negotiating position because you already have financing options if the dealer cannot offer competitive terms. Third, you can focus on negotiating the vehicle price rather than financing details at the same time.

Consumers should understand that their credit score largely determines the APR they qualify for, and that improving their score in the months before applying can save thousands over the life of the loan.

A Lower Payment Doesn't Always Mean a Better Deal

Many buyers walk into a dealership with a target monthly payment in mind. While affordability matters, concentrating only on that amount can be costly. Dealers and lenders may lower the payment by extending the loan term, often at a higher interest rate. The payment may look attractive, but you'll usually pay more interest over the life

of the loan.

Consider the example below:

Loan Amount	Term	APR	Monthly Payment	Total Cost
\$30,000	48 months	4.50%	\$684	\$32,832
\$30,000	60 months	5.50%	\$573	\$34,380
\$30,000	72 months	6.50%	\$506	\$36,432

Illustrative example only. Actual rates and payments will vary.

Notice that the 72-month loan has the lowest payment, but between the higher rate and longer term, it costs much more over the life of the loan.

Negotiate Three Separate Deals

One common mistake buyers make is negotiating only the final monthly payment. Instead, approach the transaction as three separate negotiations:

1. **Loan terms and interest rate**
2. **Purchase price of the vehicle**
3. **Value of your trade-in vehicle**

Combining all three into one discussion makes it difficult to determine whether you're getting a fair deal. Dealers may offer a higher trade-in value but offset it with a higher vehicle price or less favorable financing terms. Treating each element separately helps you compare offers clearly and make informed decisions.

Firsthand Experience

I recently purchased a used car and followed this plan. After getting pre-approved for a loan from [my credit union](#), I test drove several cars before deciding which to buy. Before discussing financing, I asked the dealer for their final and best out-the-door price. Then I said I was already pre-approved for a loan but would give them a chance to find a better rate (which I did not disclose). They asked who my lender was and admitted they already knew they couldn't beat it! I ended up with a great car, no dealer add-ons, and a great loan, and felt in control of the process.

The Bottom Line

A vehicle loan can be a useful financial tool, but it pays to understand how financing works first and secure financing before you begin shopping. Learn the key terms, compare total costs instead of just monthly payments, negotiate the vehicle price, financing, and trade-in separately.

Taking a little extra time upfront can save you thousands of dollars over the life of your loan and help ensure that the vehicle you drive home is one you can afford.



When Buying Your Next Car Is About More Than Price



By Timothy Atkins
White Oak Financial Specialists, Inc.

Buying a car can be stressful, even when you are getting a regular paycheck. But, in retirement, making this decision can be even more difficult. Evaluating whether to buy a replacement vehicle, keep your current car or downsize requires looking far beyond the initial sticker price. Keeping a paid-off vehicle is usually the most economical option because it eliminates monthly capital outlay and the steep initial depreciation of a new purchase. Even as routine repairs increase with mileage, annual maintenance rarely matches the baseline cost of acquiring a replacement.

A reliable rule of thumb is that if annual repairs and upkeep cost less than twelve months of new loan payments combined with higher insurance rates, keeping your current car remains the financially superior choice. Conversely, buying a new or used vehicle makes financial sense when structural or mechanical failures threaten your daily mobility and income, or when estimated repair bills exceed the vehicle's actual market value.

Alternatively, downsizing to a smaller vehicle class or dropping an unneeded extra car altogether instantly lowers ongoing overhead by reducing insurance premiums, registration fees, maintenance costs, and fuel consumption.



Your projected driving habits and environment should directly dictate which vehicle and powertrain make the most financial sense. For drivers with high annual mileage and long commutes, fuel efficiency and cabin ergonomics should take priority over upfront cost.

In these scenarios, hybrid or highly efficient vehicles offset their higher purchase prices through rapid fuel savings over time. For low-mileage drivers who take frequent short trips, engine wear increases because the oil rarely reaches optimal operating temperature, but overall fuel consumption remains low. In this case, paying a premium for hybrid fuel efficiency yields minimal return, making standard gas vehicles or low-maintenance EVs a better financial fit.

Meanwhile, urban drivers facing tight parking and stop-and-go traffic benefit most from smaller vehicle footprints that reduce body damage risks and offer agile low-speed handling.

Beyond the numbers, specific physical features and operational traits pay significant dividends over a vehicle's life cycle.

High seating hip points, wide door openings and flat seat bolsters provide easy entry and exit, reducing physical strain and allowing the vehicle to comfortably serve your needs as your physical mobility evolves. Clear driving visibility — achieved through narrow roof

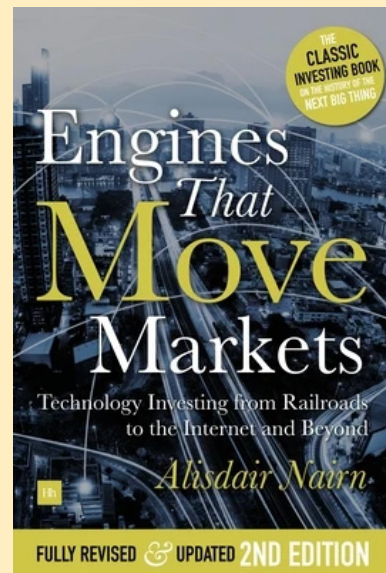
pillars, large windows, and a commanding seating position — lowers driver fatigue and prevents minor, low-speed parking accidents. Advanced safety technologies such as automatic emergency braking, blind-spot monitoring, and rear cross-traffic alerts reduce collision risks, preventing costly body shop deductibles, avoiding insurance rate hikes, and often qualifying you for policy discounts.

Finally, prioritizing vehicles with proven mechanical reliability, common tire sizes, and accessible engine layouts ensures predictable maintenance costs, minimizes repair downtime, and helps the car retain higher resale value over the long run.



Recommended Reading: *Engines that Move Markets*

This month, Brad's recommended reading is "Engines that Move Markets" by Alasdair Nairn. The world is constantly being introduced to new ideas and technologies – events that typically begin with skepticism and then move to enthusiasm. But also, with every advancement comes new realities, especially for businesses and investors. What does all this mean? [You can buy this book here.](#) [You can borrow the book here.](#)





For Teens:

Why should someone research insurance costs before choosing a car?

- A. Certain vehicles may cost significantly more to insure.
- B. Older cars cannot qualify for automobile insurance.
- C. Car insurance costs more than the actual car.

What is the strongest reason to request an out-the-door quote?

- A. It shows the price of the vehicle.
- B. It includes the total price after applicable fees, taxes and discounts.
- C. It eliminates the need to review final paperwork.

What is gap insurance?

- A. Coverage that pays the difference between the price of a new car and the trade-in value of your old car.
- B. Coverage that protects you from increases in your monthly car payment if interest rates change.
- C. Coverage that pays the difference between what your car is worth and what you still owe on your loan if the car is totaled or stolen.

For Adults:

Two insurance companies quote the same six-month premium. What should you do before assuming the policies are equal?

- A. Compare only the companies' advertisements.
- B. Select the company offering the fastest quote.
- C. Check whether the deductibles and liability limits are the same.

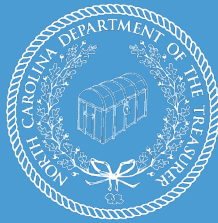
Why is it better to negotiate a car purchase as three separate deals?

- A. It allows you to focus only on getting the lowest monthly payment.
- B. It makes it easier to evaluate the financing, vehicle price and trade-in value independently.
- C. It guarantees the dealership will accept your first offer.

A retiree withdraws \$40,000 from an investment account to buy a vehicle with cash. What is an important financial consideration beyond avoiding a car loan?

- A. Whether withdrawing the money could affect investment growth, taxes or available emergency savings.
- B. Whether paying cash avoids a monthly payment.
- C. Whether paying cash increases your liability coverage.

[Click here for the answers.](#)



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