

Should You Repair Your Car Or Buy A New One?

Unless you're James Bond and sitting behind the wheel of a brand new, \$250,000, gadget-armored V-12 Aston Martin Vanquish, it's natural to dream of driving a better car, a newer model or just a more reliable vehicle – depending on the status of your current wheels.

However, most of us live in a practical world of hard financial decisions, and the purchase of a new car is not to be taken lightly. So, when should you repair your car, and when should you buy new transportation?

This is obviously a subjective question without a clear, right or wrong answer. Many factors figure into this decision, and it shouldn't be made lightly. If you figure that the average driver purchases perhaps only five to 10 cars in an entire lifetime, it's not like deciding whether to buy a Hershey Bar.

First, you'll need to ask yourself some questions. If money is a finite resource for you, as it is for most of us, have you properly budgeted and examined how much you can afford to spend on repairs as opposed to buying a new car?

In addition, you will obviously need to determine the nature of the malfunction. What broke down? Is it serious? What's the total cost of parts and labor? What's that expense compared to the total outlay of a down payment and new monthly payments on a replacement vehicle?

In most cases, you save significantly by fixing your current car as opposed to purchasing a new vehicle.

Be aware of how much new cars cost these days – regardless of whether you buy or lease. Even moderately priced smaller models (like Honda Civics, Toyota Tercels and Ford Escorts) can carry a sticker price of \$15,000 loaded. If you lease the vehicle and add in the various related fees, the total amount spent climbs higher (and, you're left with no equity after the lease period).

Look at this chart showing the difference between modest spending to maintain your current vehicle and buying or leasing a new one.

Total Expenses Over A 3 Year Period	Keep 1992 Accord	Purchase 2001 Accord	Lease 2001 Accord
Down Payment	0	\$1000.00	\$1000.00
Sales Tax	0	\$1,205.00	\$561.00
License Plates	\$350.00	\$1,040.00	\$1,040.00
Insurance	\$1,776.00	\$2714.00	\$2,714.00
Maintenance and Repairs	\$6,000.00	\$1,000.00	\$1,000.00
Interest Expense	0	\$3,095.00	0
Lease Payments	0	0	\$9,000.00
Depreciation	\$1,700.00	\$4,245.00	0
TOTAL CASH OUTLAY	\$9826.00	\$14,299.00	\$15,315.00
Less Equity At End	\$4000.00	\$5,120.00	0
NET 3 YEAR EXPENSE	\$5,826.00	\$9,179.00	\$15,315.00

As you can see, even if you spent a generous \$2000 per year fixing and maintaining your present car (a number significantly higher than most people need to spend to keep up their vehicle), you still save between \$1100 and \$3100 per year.

If the body of your current car is in reasonably good shape and the car suits your needs, take it to your mechanic and find out how much it would cost to bring it into mechanically good condition. You may find that, even if it needs transmission or engine work with new tires and shocks, these repairs may cost less than the sales tax on a new car. Check out your present vehicle thoroughly, then decide.

Beyond your personal budget for repairs, another way to check on whether it's reasonable to repair your car is to check its current Kelley Blue Book value. A general rule of thumb is that if a cost of repairing your current car is less than 15% to 25% of your car's total Blue Book value, it's still worth repairing. Obviously, if you are finished making installment and your car is now an asset and payment-free transportation, it becomes an even wiser move to keep the car.

If you do choose to drop your old car, should you buy new or used? A two-year-old used car will cost significantly less than a new car – and, in many cases, it will look the same. Body styles change only once every four to six years, so you won't be able to distinguish a three-year-old car from a new one.

On the other hand, there is the concern about buying a used lemon. A good mechanic should be able to tell whether the used car is in good shape and has not been in a major accident. You must check the reliability rating for the car you are looking at in an unbiased publication such as *Consumer Reports*. Remember that a properly selected and well maintained used car kept for five years will give you just as good service as a new car for about half the price.

The question of repairing, buying or leasing comes down to your personal preferences, finances and driving needs. When you make your final decision, be sure not to overreach yourself, and don't give up on Old Faithful before her time.