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BEFORE THE FIRST TEST DRIVE
BEFORE THE FIRST TEST DRIVE

Assess your needs

Do you need a vehicle?

Consider your situation

Upcoming marriage, children, PCS, deployment or separation?

Hint: Consider changes in income during the entire life of the loan.
CRITICAL FINANCIAL POINTS TO CONSIDER:

» Review your overall spending plan (budget)
» Limit total vehicle costs to 10% of gross pay
» Check your credit report and credit score
» Save for a down payment
» Secure financing
» Do your research
SHOPPING FOR A VEHICLE
SHOPPING FOR A VEHICLE

**New**
- Lower loan rates
- Latest safety features
- New technology
- New warranty
- Less maintenance

**Used**
- Typically lower purchase price
- Less depreciation
- Lower insurance premiums
- Certified pre-owned offers more protections
SHOPPING FOR A VEHICLE

New Vehicles

» Online buying services
» Negotiate price before dealer visit
» Lease *(see “Buying a Vehicle” publication, pages 18-19)*

Used Vehicles

» Vehicle history report
» Inspection
» Have money for repairs
HOW MUCH CAN I AFFORD?
Your total transportation costs should not exceed 10% of gross pay.
HOW MUCH CAN I AFFORD?

John’s gross pay is $3,750 per month. Keeping with the 10% rule, let’s see what John can afford.

Monthly Transportation Budget: $375

Gas, Insurance, Maintenance: $175

Car Payment: $200

Loan Amount: $11,000

Down Payment: $2,000

Shop for a car priced around: $13,000
### HOW MUCH CAN I AFFORD?

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>3 Years</th>
<th>5 Years</th>
<th>7 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000</td>
<td>$25,000</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interest Rate (APR)</th>
<th>3 Years</th>
<th>5 Years</th>
<th>7 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>$738</td>
<td>$472</td>
<td>$365</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monthly Payment</th>
<th>3 Years</th>
<th>5 Years</th>
<th>7 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>$26,568</td>
<td>$28,320</td>
<td>$30,660</td>
<td></td>
</tr>
</tbody>
</table>

The longer you finance, the more it’s going to cost you.
A TALE OF TWO CAR BUYERS
A TALE OF TWO CAR BUYERS

2016 Ford Fiesta ST

PURCHASE PRICE
$20,970

PAYMENT PER MONTH
$385 for 5 Years

ESTIMATE PER MONTH
Insurance $100
Gas $90

2016 Ford Mustang GT

PURCHASE PRICE
$36,395

PAYMENT PER MONTH
$480 for 7 Years

ESTIMATE PER MONTH
Insurance $175
Gas $150
WHAT WOULD YOU DO WITH AN EXTRA...

$230 PER MONTH?

TOTAL: $575

TOTAL: $805
A TALE OF TWO CAR BUYERS

After 3 years, both buyers need to sell their cars because of an upcoming PCS overseas.

<table>
<thead>
<tr>
<th>Car 1</th>
<th>Car 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESTIMATED VALUE:</strong> $9,300</td>
<td><strong>ESTIMATED VALUE:</strong> $18,500</td>
</tr>
<tr>
<td><strong>BALANCE OWED:</strong> $8,400</td>
<td><strong>BALANCE OWED:</strong> $21,300</td>
</tr>
<tr>
<td><strong>EQUITY:</strong> $900</td>
<td><strong>EQUITY:</strong> -$2,800</td>
</tr>
</tbody>
</table>
INSTEAD OF A PCS, WHAT IF BOTH CARS WERE TOTALED?

» Negative Equity

» How to best avoid Negative Equity

» What is GAP Insurance?
AFTER 5 YEARS OF OWNERSHIP...

PURCHASE PRICE: $20,970
TOTAL COST: $34,500*
AMOUNT OWED: $0

PURCHASE PRICE: $36,395
TOTAL COST: $48,300*
AMOUNT OWED: $10,700

* Excludes Maintenance
DO YOU REMEMBER THE...

$230 PER MONTH?
IF YOU INVESTED IT AND EARNED 5%*

YOU WOULD HAVE $15,650 AND A PAID OFF CAR!
Think about your FUTURE situation too

Consider the critical financial points

Used might be smarter than new

Keep all-in costs less than 10% of gross pay

Avoid loans longer than 5 years

Don’t forget gas, insurance, and maintenance cost

This decision can literally change your life
COMMAND YOUR CASH™

A comprehensive financial readiness program to empower the military and local community to make better informed financial decisions.

The Command Your Cash components include:

- Presentations
- Video Center
- Publications
- USAAEF.org Website
- Social Media Community

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THANK YOU