

Office for Financial Success – Financial Tip of the Week
A service of the Personal Financial Planning Department
College of Human Environmental Sciences
University of Missouri-Columbia
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CARS

Beginning with new car purchases on July 1, 2009 a new stimulus program began. It is designed to encourage people to purchase a new, more fuel-efficient car. While the rule will not be final until July 24th, consumers may want to consider how, or if, they will benefit from the program. The program ceases on November 1, 2009 or when the program's money is depleted.

What is it? If you trade-in a less fuel efficient car, as defined by the government, and purchase or lease a qualified, more efficient new car, the program provides a voucher, ranging from \$3,500 to \$4,500, to use toward the purchase or lease.

Fact Bullets:

- The purchase just occur between July 1, 2009 and November 1, 2009. If you lease, the lease must be for a minimum of five years.
- Your "trade-in" car must be less than 25 years old at the trade-in date.
- The car must be in drivable condition, being continuously owned, registered, and insured by you for a full year prior to the time of new car purchase.
- Generally, the "trade-in" vehicle must get less than 18 miles to the gallon. This is "combined" mileage. For more information on this see <http://www.cars.gov> .
- The new vehicle must have a purchase price of less than \$45,000 and have a combined fuel economy of, at least, 22 miles per gallon. If the new vehicle is only 2 MPG more efficient than your clunker, you are eligible for a \$3,500 voucher, while the new vehicle must be 10 MGP more efficient for the full \$4,500.
- Vouchers are paid directly to the dealer and, essentially, replace the trade-in value of your car. The dealer must destroy your car, selling it for scrap. (This part of the ruling has car collectors crying.)
- Considering the fact that the car must be destroyed and that the greatest voucher is for \$4,500, it is clear that if your car is worth more than the voucher, you would be better off not participating in the program. On the other hand, if you have a 1999 Ford Eddie Bauer Explorer with a V-8 engine, you could benefit. This car has a \$2,400 trade-in value and, when I looked up that price on Edmunds.com, there was an adjacent advertisement for the Government's "Cash for Clunkers" program proudly displayed.

You should make your car buying decision on many more factors than a new government program. Yet, when one exists, that can potentially help you in your trek toward financial success, you should consider the opportunity. Frankly, that 1999 For Explorer is my youngest son's "hand-me-down" car and, if I were in the mood to spoil him, the program clearly provides an incentive. On the other hand, I'm a big fan of purchasing slightly used cars, as opposed to a new car and I would want to add that to my decision matrix.

For more information see the National Highway Traffic Safety Administration's website: [Car Allowance Rebate System \(CARS\)](#) .

Personal Note: I will be on a 12 day trek with my youngest son at Philmont Scout ranch, over the next two Fridays. I plan to write a couple of "Tips" to be sent to you on "delayed delivery", however, if my email box gets cluttered in my absence, the delayed mailing ceases to work. So, if you don't hear from me, think about how much fun I'll be having carrying a 50 pound backpack up and down the New Mexican mountains with bad knees and arthritic feet. Actually, I wouldn't miss the chance to do this with my boy for all the *financial success* in the world.

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