



See What Vehicle Depreciation Costs

You're excited about the vehicle you're purchasing, but fix in your mind the purchase price of the new car you recently bought, or are considering buying. Now think about paying a fee equal to one-fifth of that purchase price during the first year you own the car.

It's not for insurance, or loan interest, or maintenance. It's for depreciation, the invisible cost of vehicle ownership. You never receive a bill for it, never write out a check. Still, depreciation costs you big money over the years. You just don't notice it until the time comes to sell your car.

In the first year you own it, your vehicle may lose 20% of its original value due to depreciation, according to IntelliChoice, based in Campbell, Calif., which provides consumers with data about the true cost of owning cars and trucks. By the end of the fifth year, your vehicle's value drops by an average of 35.1%.

But it's not only vehicle buyers who take a hit. Depreciation affects the cost

of leasing as well, because leasing payments are based in part on what a vehicle will be worth at lease-end. The more a vehicle depreciates, the less it will be worth when your lease is over, and the higher your monthly leasing payments will be. (See "Learn Facts About Leasing," p. 28.)

You can't stop depreciation. It's simply a fact of life for those who choose to own or lease a vehicle. But you can lessen the impact depreciation will have on your wallet. Here are a few points to consider:

Some makes and models depreciate faster than others. Accurately predicting depreciation is difficult because so much depends on a vehicle's continuing popular appeal. But you can get a rough idea how much your vehicle will depreciate. Consult a blue book or other pricing guides to find out how well previous years' models have held their value.

The pace of depreciation levels off after five years. Hanging on to a vehicle for at least that long minimizes the impact of depreciation on the overall cost of ownership.

It's smart to pick options that will

appeal to the next buyer. Vehicles with air conditioning, automatic transmissions, sunroofs, and convertible tops tend to hold their resale value better. Lesser known models, “luxury” or “limited edition” models, and vehicles with odd colors or features tend to depreciate faster.

Vehicles that change dramatically in style from one year to the next tend to lose resale value faster. Last year’s model quickly becomes outdated and loses its attraction to potential buyers. Choose a vehicle from a manufacturer that makes only subtle style changes each year.

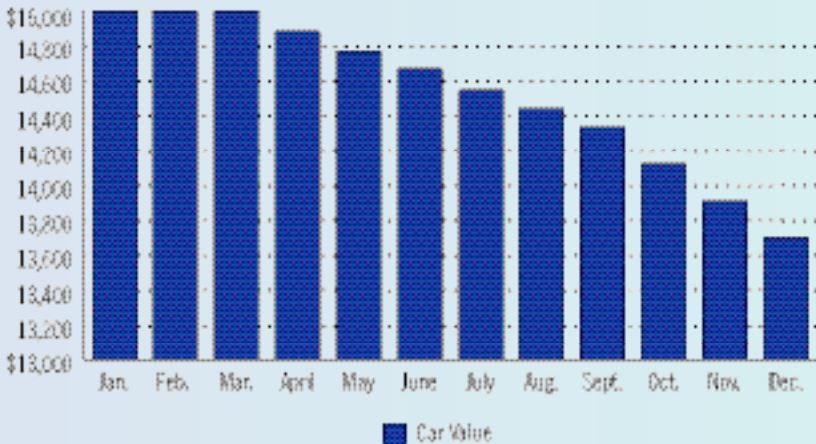
Depreciation can deal a substantial financial blow to the owner of a new vehicle. But it can work to your advantage if you’re in the market to buy or

Depreciation can work to your advantage if you’re in the market for a used vehicle.

lease a used vehicle. A vehicle model that depreciates considerably in its early years may be an excellent deal as a used car.

For more information, visit CarPrice.com and use its depreciation calculator to check out how well the vehicle you’re interested in holds its value.

What a Car Worth \$15,000 in January Is Worth the Rest of the Year



Depreciation values are based on interviews for Home & Family Finance magazine by Jerry Edgerton with Bob Hunko, vice president of product development and marketing for auto price service Edmunds.com. According to Kwikie, used cars usually lose about 0.75% per month in value for April through September, and 1.5% per month in value for October through December. Price tends to stabilize and even mature after New Year's.