



Time Your Trade-In

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o you're eyeing a new car. It looks a little expensive but you think you can handle it because your current car is a good, solid trade-in value.

Hold on. That may depend on when you trade it in. The combination of time of year and any new-car promotions on the same model you are driving—which then affect used-car values—can mean thousands of dollars of difference on your trade-in.

Used-car values drop more swiftly late in the year. New models have just appeared, while bad weather tends to hurt attendance and values at used-car auctions. Hitting used-car values even harder, though, are new-car incentives often offered by manufacturers, including rebates of up to \$3,000. When the value of that new car is reduced by a rebate, prices for corresponding used cars take a hard hit.

Let's say you had a two-year-old car worth about \$12,000 you thought about trading in April but, for whatever reason, you waited until November. In the meantime, the manufacturer also

added \$1,500 to the rebate on the new version of your car or truck. The passage of time, trading at a bad season, and the effect of the rebates might cost you more than \$2,000 in trade-in value.

More than half of new-car buyers trade in their old cars. Most could get up to 15% more if they sold them themselves, but trading is far more convenient.

And, in many states, trading in reduces the amount on which you pay sales tax. That is, if you bought a new \$20,000 car and had a trade-in for \$10,000, you would pay sales tax on only \$10,000 instead of the \$20,000 with no trade-in. In a state with a 6% sales tax, that's a \$600 tax savings.

Whether you plan to trade in your old car or sell it yourself, remember that every used car has its own story. New cars of the same model and equipment all carry the same asking price. But with your trade-in, how your car looks, its mechanical condition, the condition of the tires—even the color—all affect the value.

The brand of your car makes a big difference, too. Honda, Toyota, and lux-

ury brands always have held their value much better than domestic brand vehicles. Recently, rebates have magnified that differential. Honda, Toyota, and luxury makers like Mercedes and BMW have used only limited sales incentives—nothing like the multithousand dollar rebates and 0% financing so heavily advertised by General Motors Corp., Ford Motor Co., and DaimlerChrysler.

And big rebates mean big losses in used-car value. “If a manufacturer adds \$1,000 in incentives, a one-year-old car of the same model loses about \$850 in value,” explains Bob Kurilko, vice president of product development and marketing for auto price service *Edmunds.com*. That effect continues, at lower dollar amounts, on older versions of the car as well.

1. Make the seasonal factor work for you. From April through September, an average used car loses about 0.75% per month in value; in October through December that nearly doubles to 1.5% per month, says Edmunds’ Kurilko. But in January—with car buyers and automotive pros at auctions more active again—values stabilize and even may rise a bit.

So if it’s late in the year, wait until after New Year’s, when you are likely to get more for your trade. Some models are special cases. If you have a convertible in a northern state, wait for spring when the dealer wants to sell that car from the lot.

2. Get your car in top condition. Get a professional detailing job. You will more than recapture the \$75 to \$150 you may pay for painstaking cleaning in trade-in value. Make sure your pro is going to steam-clean under the hood as well as inside and outside the car. If your tires are in poor condition, consider getting an inexpensive set of new ones.

3. Get an advance idea of your car’s value. You at least will be able to tell if the trade-in offer from the dealer is in the right ballpark. Check *Edmunds.com* and Kelley Blue Book (*kbb.com*) for an idea of trade-in price for your car. They both have separate values for trade-in and (higher) private sale values. Both

Don’t let big manufacturer rebates distract you from negotiating the purchase price.

regionalize the values from your zip code, and Kelley Blue Book lets you put in detailed specifications on the equipment, mileage, and condition for your vehicle. Finally, remember that any valuation in person or online is only an approximation.

4. Dealing with the dealer. When you get to the dealership, try to negotiate price on a new car before talking trade-in. Otherwise, the salesperson may give you a high trade-in value and make it back in a higher price for the new car.

Your trade-in, of course, is only one factor in your decision—along with new-car price and financing. But with good timing and getting the car in shape, you can get the most out of that trade.