

Answers

1) You should know what each of these pricing terms mean because you will encounter them in your car-buying adventures.

- Sticker price — the price posted on the "window sticker." This is set by the factory and is, in most cases, high end of negotiations.
- Invoice price — this is roughly what the dealer has paid for the car and it constitutes the low end of negotiations. The dealer will try to get a certain amount of profit over the invoice price.
- Market Value Pricing— this is the average price at which most people are buying this car (and this price is adjusted for a number of conditions). Market Value is a good deal for the consumer and it provides a fair profit for the dealer. You can find market value at websites like www.edmunds.com or www.kbb.com (Kelly Bluebook), or from your local credit union and some full service banks.

2) The correct answer is c) Solicit quotes over the Internet. If you telephone a dealership and talk with a salesperson, they will probably refuse to give you a price over the phone. However, if you e-mail different dealerships, you will get a quote from some of them. Additionally, if you call a dealership and ask for the Internet manager, you will get a quote over the phone. Internet managers deal in volume, not high-profit individual deals.

3) False. If you shop carefully, and research [incentives and rebates](#), you can save thousands of dollars. These can take the form of customer cash rebates (usually used as a down payment), dealer cash rebates (often hidden from the consumer, but listed on our site) and low-interest financing on car loans.

4) The correct answer is b) Holdbacks. The [holdback](#) is money paid by the manufacturer to dealerships to cover their cost of financing the cars until they are sold. This money is considered sacred to dealers who are looking for a way to turn a profit in a competitive market. However, knowing that the holdback is there might help you make a better deal — even without raising the issue directly.

Some of you might have also mentioned "invoice pricing." This used to be a hot button, but the good salespeople have become much more forthcoming about showing the invoice to customers.

5) "Bait and Switch." This is the practice of advertising a car at an unrealistically low price, then switching a customer to a different vehicle at a higher price.

6) The correct answer is a) Ask to have the invoice and a "worksheet" (listing all the fees) faxed to you. The invoice will show you exactly what options are on the car and what the dealer's cost is. Yes, you can get most of this information from the internet. But the dealership may have local charges that the internet can't track such as advertising fees. To flush out all the extra hidden expenses and fees, you should ask for a worksheet so that you can see what kind of extra fees you will pay, such as document and DMV fees. Once you have the invoice and the worksheet, and the numbers look good, you can close the deal over the phone — then head for the dealership to pick up your car.

7) False. You might get credit from a car dealer if your credit is weak, but you won't get the best interest rate. Dealers often mark up the interest rate to make a profit on the financing. They justify this by saying that you are a credit risk, and as such, are on a lower "credit tier." It's a good idea to know how strong your credit is before going to the dealership. You can also apply for credit through your credit union or an [on-line lender](#).

8) The correct answer is c) Keep your guard up because the crucial part of the process is beginning. The finance manager is really an experienced salesman who will continue trying to improve the profit that is built into this deal. You will have to make sure the terms of the deal you have agreed on with the salesperson are honored in the contract. You will also need to make sure there are no sudden extra charges. Finally, you will probably be asked to consider extended warranties and protection packages for your car. We recommend you say no to most of these offers.

9) False. If you walk the lot looking for a car to buy, you have no control over what salesperson you will deal with. You have to work with the first salesperson who approaches you. (Either that or create a stink, go to the sales manager and demand another salesperson.) If you telephone first, and ask for the Internet manager, you have a chance to test drive the salesperson. If you have a nice rapport and feel this is someone you want to do business with, make an appointment to go to the dealership in person. If you don't like this salesperson, call another dealership. You've wasted very little time this way and saved yourself some serious aggravation.

10) "Knowledge is power." Do your homework before you ever set foot on the car lot. This will help you find the car that is best for you, it could save you thousands of dollars and it will remove much of the stress of the sales encounter.