Can you really afford a car?

Buying a car is a big decision and requires careful consideration. Before purchasing a car, the first question to ask yourself is how much you can afford to spend. This decision will depend on your monthly income, the initial price for the car, the running costs of the car, and how long you intend to use the car. Here are a few things to consider when buying a car.

Step 1: Figure out Your Budget

Your first step should be to work out your overall budget. Determine how much you can spend on a car overall, how much you can put down as a deposit, and how much you can afford to spend on monthly repayments. A good rule of thumb is not to spend more than 10% of your income on a car loan and no more than 20% of your monthly income on car expenses. A great way to calculate your target price is to use a car affordability calculator. You can find these online. Overextending yourself and buying a car out of your budget range can lead to problems later on, so it’s best to be a little conservative.

Step 2: Work out the Running Costs

Owning a car comes with various monthly expenses, including fuel, insurance, annual vehicle license fees, regular maintenance costs (like services, tyres, brakes, and oil), and any extras (like breakdowns) that might pop up. You’ll also need to factor in depreciation costs. Depreciation usually affects newer cars more than used ones, so an older car might be a better option. Faster cars with bigger engines may sound sexier, but they usually consume more fuel and cost more to maintain. Older cars may also have a higher running cost.

Step 3: Find the Right Car

Once you’ve determined your budget, you can start looking for cars within that range. Think about your needs in terms of the size of the car, whether it can be used off-road, any important features that you want the car to have, must-have safety features, your garage or parking space, and more. If you have your heart set on a specific car, you can still benefit from seeing what’s out there. You might even find the perfect car that you would have never considered before.

Step 4: Find the Right Solution to Finance Your New Car

You’ll also need to think about different car financing options. How you will make the payment? Do you want to take out a personal loan from a registered credit provider, lease the car or get a rent-to-buy deal? Leasing a car will allow you to drive a more expensive car for less money, and it’s a good option if you want to only keep the car for a few years. Buying is initially more expensive, but after you’ve repaid the loan, you’ll own the car for as long as the car still works. Rent-to-buy is another option for those who want to buy but may not have the cash available to do so at the moment.

In conclusion, before buying a car, take the time to do your research, figure out your budget, and find the right car and financing option for you.