

YOUR MONEY SORTED



BUY YOUR OWN SET OF WHEELS

By LETITIA WATSON

Send suggestions for topics and requests for info to yourmoney@you.co.za. We may answer your questions in this column but won't reply personally.

Getting your first car is exciting but first check that you can secure financing

LOAN REQUIREMENTS

Banks have criteria for granting vehicle loans. You must be at least 18 and a South African citizen or a permanent South African resident.

You must have a valid South African or international driver's licence, a clean credit record and earn at least R6 000 a month. The vehicle must be bought from an approved dealer and it must be worth a minimum amount, for instance R30 000.

THINK CAREFULLY!

A car is probably your most expensive purchase after property. Don't take on debt just to boost your ego. Unlike a home loan where the property's value increases, a car's value decreases. Apply for a loan within your means. The monthly repayment isn't the only expense – you also have to budget for maintenance costs, comprehensive insurance, fuel and the annual licence – and still have money left for other living expenses.

LONG-TERM LOANS ARE MORE EXPENSIVE

The National Credit Act allows for a vehicle to be paid off over maximum 72 months, which reduces your monthly payment. But you end up paying more for your car if you finance it over such a long period. And remember, the car constantly loses value. What you owe and the settlement value of the car also take longer to balance which means it takes longer to reach a good trade-in value. The shorter the finance period the less interest you pay.

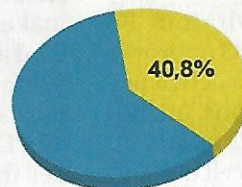
BEWARE OF BALLOON PAYMENTS

You can reduce your repayments with so-called balloon financing which enables you to buy a car you can't afford. With this financing a bigger portion of the purchase price is paid at the end of the loan agreement, which can become a problem. The size of the balloon, say 20 or 35 percent, depends on the future value of the car as set by the finance institution.

5 QUESTIONS ABOUT BUYING A CAR

- 1** What documents do I need? Usually you need three recent salary payslips and bank statements, proof of your residential address, your driver's licence and your ID document or passport.
- 2** What are the dealer's financing consultants supposed to do? Legislation requires them to give you good advice, and they can apply for financing on your behalf. You can choose the best quotation.
- 3** Must I use the consultant? No, you can also make your own financing arrangements.
- 4** Will the bank finance a private sale? Yes, provided it complies with certain conditions. Ask a consultant at the bank for more details.
- 5** Can I apply for a vehicle loan as soon as I start working? You can, but Simphiwe Nghona of WesBank advises that you wait a while as the bank requires proof of a stable income.

40,8% MORE EXPENSIVE



Try to settle your vehicle loan as quickly as possible. If you buy a car costing R200 000 and finance it over 72 months at a 12 percent interest rate the car will eventually cost you R281 522,77 (insurance and other costs included). This is 40,8 percent more than the purchase price. If you were to pay off the loan in 36 months it would cost you R239 143,03 in total, which is only 19 percent more than the purchase price.

TIP! Interest rates can go up during the loan period, so make sure you can afford your repayments in the event of rate hikes.

GET MORE HELP HERE

- Repayment tools on banks' websites
- The National Credit Regulator: 0860-627-627 (ncr.org.za)
- Your credit record at credit bureaus such as TransUnion and Experian

Our culture has started to believe that more stuff will make us happy, but more stuff has just led to more debt

- PERSONAL FINANCE EXPERT SUZE ORMAN