

WHAT YOU SHOULD KNOW ABOUT PAYING CASH FOR A VEHICLE

1. MAY BE PENALTIES FOR CASHING OUT INVESTMENTS

Many mutual funds sold ten or twenty years ago have significant monetary penalties if they are cashed out before their maturity. You may wish to leave your investment intact and finance instead.

2. LOSS OF EMERGENCY FUNDS

You are depleting a large sum of money from your savings or investments when they pay cash for a vehicle. This money could be needed for emergencies later.

For example:

- a major home repair
- a loan to a family member needing money
- a trip due to a family emergency
- a disability where savings are needed to replace income from work
- special medical bills, medication and treatments
- a funeral

3. LOST OPPORTUNITY FOR INEXPENSIVE LIFE AND DISABILITY LOAN INSURANCE

In the event that you become disabled and unable to work, you may have little money to draw upon from savings for income if you have paid cash for your vehicle. By financing the vehicle and insuring the loan with credit life and disability insurance, you can leave your cash in savings or investments. In the event that you were unable to work you would have your savings or investments intact and be paying for the vehicle with insurance benefits instead of your savings.

If you are over fifty years of age, you have the added benefit of being able to qualify for very inexpensive credit life and disability insurance premiums. This is due to the fact that the insurance is an averaged premium, which means that all customers that qualify (generally between the ages of 18 and 65) pay the same premium. Customers over fifty would normally pay much more money for insurance than a younger person if it was purchased directly from an insurance company.

4. LOSS OF INVESTMENT OPPORTUNITIES

Paying cash for a vehicle depletes money from your savings. This limits your investment opportunities. At some time in the future if you still have your savings, they could be used for:

- a down payment for a real estate purchase such as an investment property, cottage or a larger home
- home renovations or a pool
- Registered Retirement Savings Plan, Canada Savings Bonds, Guaranteed Investment Certificates, mutual funds, stocks

5. LOST OPPORTUNITY TO PAY DOWN YOUR MORTGAGE

Most mortgages allow you to pay off up to 15% of the principal amount borrowed each year without a penalty. By paying down your mortgage instead of paying cash for your vehicle, this significantly reduces the interest charges and the amortization of your mortgage. The savings more than offsets the cost of interest on a vehicle loan.

6. NO CREDIT RATING ESTABLISHED

When you pay cash, there is no establishment of a positive credit rating. A positive credit rating is essential for borrowing money from financial institutions for things such as mortgages, lines of credit, home improvement loans, credit cards, etc. Financing through your dealer plan establishes your credit rating.

Researched and prepared by: **The WYE MANAGEMENT Group**