

## Is it Better to Take on a Car Loan or Pay Cash?

The auto manufacturers in this country are in dire financial straits right now and car companies are, consequently, pulling out all the stops on deals on new cars. They are hoping to breathe some life into the struggling car market by enticing consumers to purchase. Many potential car buyers have been hesitant to buy a new model from a company that might not make it through the current market woes. For many buyers, however, the unprecedented bargains may be too good to pass up. For consumers who can afford a new car, the question will then be whether to purchase the car with cash or a car loan. You should weigh the costs and benefits of both options and decide what makes the most sense for your budget.

A large number of people who buy a new car do so via a car loan, since they often do not have cash available in such a large amount. Before you take on a car loan, however, you should be comfortable with the monthly payment you will take on. There are many choices for a car loan and you will want to spend the time to find a good rate and terms. A dealer will frequently try to give you a better financing rate with them, if they know what rates and terms you have found from other lenders. As you examine your finances to determine the cost of the purchase and loan, make sure you include things like an inspection, license plates, registration and city parking permits. The advantage of a car loan is that you will be making small payments, instead of shelling out a large sum of cash up front. You get instant gratification with a car loan. But there are disadvantages to a car loan. You do not own the title until you pay off the loan. You will actually pay more for the car than you would if you were paying cash, because you will be paying interest and other fees. If your financial situation changes and you can no longer afford the car loan payments, you will have to sell the car to pay off the loan.

Paying cash is the simplest way to purchase a new car. You calculate what you want and can afford, then start saving up until you meet that goal. You go to the car lot, give them the money and drive away with a car that you own outright. There are no strings attached. No need to research rates or fees or terms. You pay only for the car and do not have to worry about monthly payments that include extra finance charges and fees. You own the title. And, when the car depreciates, you will not be stuck with a car that is valued at less than the car loan. The only disadvantage to this method is the potential that investing the large sum of cash elsewhere might earn more money over the long term than you would have put into car loan payments.

## About the Author

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