

New vs. Certified Used

The endless debate continues on what is the best way to buy a car. There is no cut and dry answer, each option has its advantages and disadvantages. There's nothing like a new car – the smell, the shine, the overall experience is priceless. Buying a car is arguably one of the most exciting things a person can do. New cars are a beautiful thing as you are the first person to ever use the car and you know how it was treated from day one. If you abuse the new ride you may want to get rid of it before things start going wrong but if you take good care of it you may want to keep it forever. The new car has a fantastic warranty – bumper to bumper for a certain amount of time, power train for the same or longer time frames and rust and corrosion for an even longer period of time. Some manufacturers even include service and wear items in the warranties with new cars today. When you go to buy the car if you're not writing a check for the purchase price the financing on a new car is very attractive – very low or zero interest on the purchase – how can one pass up such a deal? You often pay a slight premium for having the newest, latest and greatest thing the auto makers are producing. Today's cars are so much more than basic transportation; they're portable shells for human beings complete with computer, safety, entertainment and navigations systems.

If you buy certified used the manufacturer typically extends some of the warranty items, sometimes substantially, and you end up saving a few dollars in the process of buying a new to you ride. When buying used you often have no idea who owned the car or how it was treated. If it was well taken care of you'll reap decades of enjoyment but if it was abused you may be buying a problem too. Financing options on certified used cars are attractive too, but often slightly more expensive than buying brand spanking new. You can rest assured that manufacturers won't make a lemon a certified used car as they have rigorous tests and inspections cars must pass to be eligible to carry the certified used label. When buying a car you are also able to make any inspections you wish, which is advisable so you don't get a lemon. If you buy certified used be sure it's certified by the manufacturer.

When it comes to your finances you have to think about new or used as well. Let's consider buying stock – nobody thinks much about if the stock new or used. If I want to buy 100 shares of IBM, chances are I'm buying used stock – I'm buying the stock from someone else who originally purchased it from IBM when they had their IPO (initial public offering = the first time a company sells its stock to the public). I have no way of knowing who owned it before or what they did with it – nor do I care because I can research the company's financial strength on my own via SEC (securities and exchange commission) filings, corporate literature, and talking with and visiting corporate headquarters. The inspection needs to be much more thorough than the automobile inspection and is done in a completely different fashion. When you buy a new stock, for example Netsuite = ticker symbol N, just had its IPO in late December and if you bought it, you were buying a new stock right from the manufacturer – a stock that no outside of the company person had ever owned before. Once you own that stock you're free to sell it to someone else as used stock. One is not better than the other, new or used, it's just how business is transacted logistically and you need to know the ins and outs of what you're doing. Companies can sell new stock after they had an IPO and that's called a subsequent offering, where they sell more stock to raise more money. We've seen that happening lately in the banking, mortgage and real estate areas lately as troubles have been giving companies the need to raise additional cash.

Where are you going from here? New or certified used? I think most of us like new cars but end up with used stocks! ☺

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