

DEPRECIATION IS the loss in value a car suffers as a result of time and use. Depreciation, then, is the difference between what you pay for a car and what you can get for it later on a trade-in.

Latest American Automobile Association car figures show that a 1966 V-8 standard car in the lower price class probably will depreciate \$626 during its first year. Figuring 10,000 miles of driving a year, this is more than all other car costs put together.

Depreciation costs you money, yet you may not realize that it has cost anything until it is time to trade or sell your car. Then you may be shocked to learn how much it has totaled. You can't drive depreciation. But you can't drive cars without it.

About the only thing you receive in return for money spent on depreciation is the pleasure of having owned the car you wanted, though it required more money spent on gasoline, licensing, insurance, etc., to get any use out of your ownership. Any car's depreciation follows it from the showroom, at a whopping price tag, to the junkyard at \$10 or so.

Depreciation involves such things as obsolescence (becoming outmoded), depletion (being used up) and antiquation (aging).

Some depreciation cannot be avoided. It's just one of the costs of owning a car. However, there are 10 things you can do to minimize depreciation. They all work. Some, you'll agree, are worthwhile, others may not be.

Depreciation affects some makes of cars more than others. There can be as much as \$600 difference in annual depreciation between a popular make of car and its less-sought-after contemporary, even though they sell for about the same price when new. By buying makes that used car buyers seem to like, you can cut your depreciation bill.

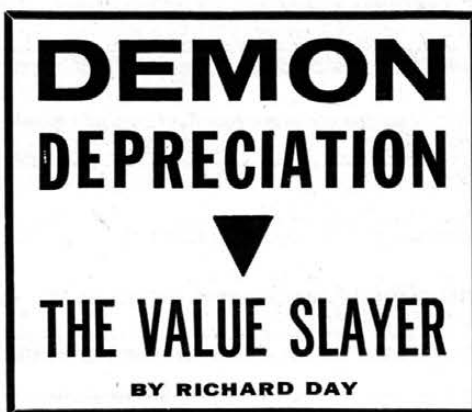
Good cars to own, from a depreciation standpoint, are the full-sized models of Buick, Cadillac (believe it or not), Chevrolet, Oldsmobile and Pontiac. A good compact for low depreciation is the Olds F-85. The Chevrolet Corvette is a low-depreciation sports car. Obviously, GM has cracked the depreciation code. While Chevrolet is somewhat ahead of Ford on the depreciation score, Plymouth is well behind both of them.

The most costly cars to own, in terms of depreciation, are Chrysler, Rambler (full-sized models) and, by far the most costly, the Checker. A Checker sets its owner back almost as much as a Cadillac does, in depreciation dollars.

"Now wait a minute," you say. "You just said that Cadillac is a low-

depreciation car and now you admit it costs more in depreciation than a Checker, which you claim to be a high-depreciation car. How the heck come?"

Good point! The only way to compare depreciation between one car and another, when they do not sell new for the same list price, is to look at depreciation as a percentage of list price. It stands to reason that a cheaper car will depreciate less in dollars than an expensive one because it has less to depreciate before it reaches junk value. However, when depreciation is expressed as a percentage, one car can be compared against another quite equitably. Of course, you *can't* spend percentage and you *can* spend dollars so, for the lowest



depreciation, stay with the lower-priced cars.

If a car costs \$2340 new and depreciates in three years to a used-car value of \$1035, its dollar depreciation is \$1305. Its percentage of depreciation is $\$1305 \div \2340×100 , or 56%.

Determining how the 1966 makes will depreciate depends upon the future used car market. Depreciation of 1966s can be estimated fairly closely by studying the depreciation of older brother and sister cars of the same make to see how they have depreciated.

This method is no help in arriving at depreciation figures for a car such as the Mustang. One can only speculate that if the Ford "hoss" continues to be as popular as it is currently, Mustangs will be in great demand as used cars and thus will depreciate slowly. The same could have been speculated about the Falcon in 1960 when it was a hot-seller. The Falcon still is the top compact, but its depreciation is not low. Almost every other compact has the Falcon whipped on depreciation.

American cars depreciate to about half of their new value during the first four years of life. The actual percentages vary from 40% to more than 70%.

Taking dollar depreciation alone, the low-cost cars are Chevrolet, Corvair, Chevy II, Dodge, Olds F-85, Plym-

outh, Valiant, Pontiac, Rambler American and Rambler Classic.

The greatest low-depreciation car is the Volkswagen. Champion over all in both dollar and percentage depreciation, it bucks the strong trend to high depreciation among foreign cars. In the VW, obsolescence has been eliminated at the factory; unless you consider a push-handle better than a turn-handle on the engine compartment latch, the '66 VW isn't that much better than the '65. This is great for owners of the '64, '63 and so on down.

In general it could be said that depreciation depends upon popularity. Right away, though, a number of exceptions could be cited. The Ford Falcon, already mentioned, is one. The nation's most popular car is the full-sized Chevrolet, yet its depreciation is not as low as some less popular cars. Don't ask why. We're just reporting on comparisons calculated from prices given in *Official Used Car Valuations*. This is the little red book that dealers use to figure the value of a trade-in.

One dealer points out that all depreciation should not be blamed on the car. Literature issued by his dealer organization states there is \$500 in direct and indirect taxes piled onto the list price of a new low-priced car. This is about 25% of its cost that adds nothing at all to the utility, quality or looks of the car, yet it pumps up the price. A good part of this is the 7% federal tax on new cars.

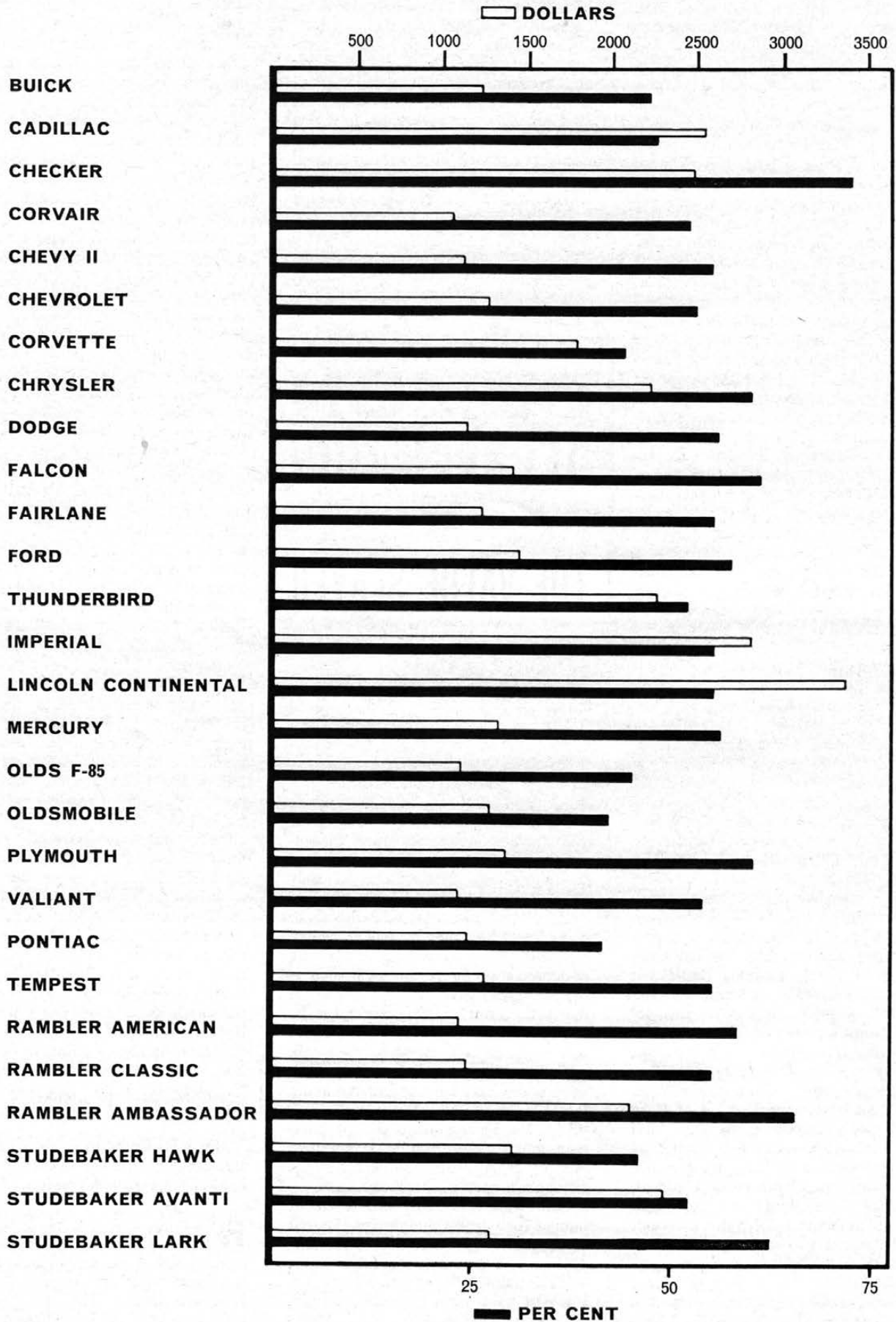
Choose low-cost car models. This is not nearly as big a factor as the make, but it can tack more than \$100 onto a car's 5-year depreciation. Lowest depreciation in straight dollars are plain 2-door and 4-door sedans. Considering percentages, top-of-the-line sedans and convertibles can be lowest in depreciation. Station wagons do well, but only when figured as a percentage of list price. In dollar value they depreciate several hundred more than a sedan, over a period of five years.

Another peculiarity of depreciation can be used in your favor when buying a car. A car is hit hardest by depreciation during its first year. Thereafter the bite is less and less every year until it gets so low there is no additional depreciation. Autos selling in the \$100-200 bracket can be said to be depreciation-proof. Their price reflects condition far more than it does depreciation.

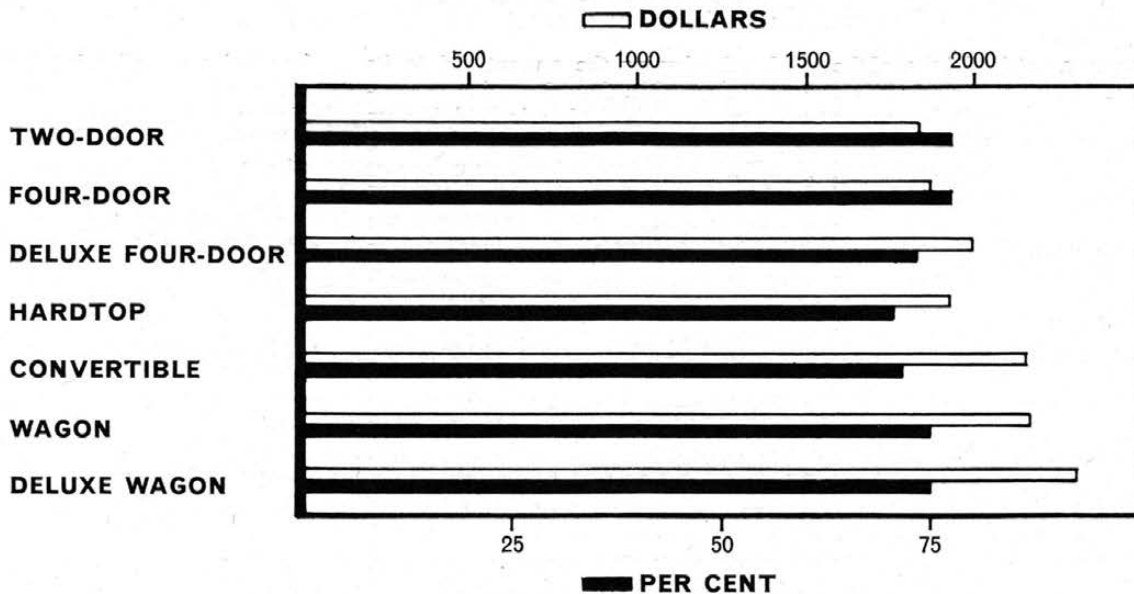
But who wants to drive a \$200 car the rest of his life just to save on depreciation? The truth is you don't have to.

BY BUYING a car that has already suffered its highest depreciation, you stand to save quite a bit. This can mean any time after its original purchase from the dealer. The older you are willing to let a car get before you buy

DOLLAR AND PERCENTAGE DEPRECIATION—U.S. CARS
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DOLLAR AND PERCENTAGE DEPRECIATION
Various Models of One Low-Price Make
After 5 Years



it, the more you can save. A Chevrolet or Ford will depreciate from \$400 to \$600 the first year, about \$300 to \$400 the second, about \$300 the third and around \$200 the fourth. A number of factors can accelerate or decelerate this progression, but these figures generally hold true.

The 1955-1957 Ford Thunderbird, the original, classic T-Bird, in good condition, still sells for more than \$1000. Its normal depreciation has been headed off by its extreme popularity and its short supply.

Because actual depreciation is dependent upon selling price as well as purchase price, anything you can do to get a higher price for your old car will help when you buy a new one. One way is to use it as little as possible. While a car depreciates whether it is used or not, depreciation is slower if the car is little used. On the other hand this method makes you pay most *per mile* for the depreciation your car does suffer.

Depreciation can be fought indirectly, but effectively, by selling rather than trading in your old car. While selling a car can be a nuisance, it usually brings a higher price than trading one in. When a dealer makes a trade-in offer on an older car, he must allow a profit for subsequently selling it. If the buyer does the selling himself, he can save at least part of the difference between the wholesale and retail value of the trade-in car. He can then buy his new car for cash and arrange a better deal.

Even though you are willing to trade

high first-year depreciation for the pleasures of owning a brand new car, you can fight depreciation by driving it for more than one year before trading again. The longer you drive, the more you save on depreciation.

ACCESORIES ON a car depreciate, too, sometimes faster than the car. This means that several hundred dollars spent for accessories on a new car may bring back only half that when it is traded the next year. Those that depreciate the least are the common ones such as heaters and radios. Unusual accessories, especially unseen ones like power options, depreciate at a faster rate. A Chevrolet Corvette depreciates 44% in four years. Its fuel-injection option depreciates 75% in the same length of time. An air conditioner in cold climates loses value rapidly, contributing to the car's overall depreciation. To fight depreciation, buy only common accessories and then only the ones you really desire.

A positive and direct way to fight depreciation is to maintain the looks of

your car. A clean car can bring \$100 or more above what one in average condition brings on the trade-in. A garage-kept sharpie that has had its dents and scratches fixed and is washed and polished will depreciate more slowly than a car with the appearance that its owner doesn't care.

Keep up the works, too. Chase rattles as soon as they develop. Keep the engine tuned up, the brakes adjusted, the wheels aligned and even minor things such as door latches adjusted. These will keep a car from becoming old before its time.

Time your car buying to lower depreciation. Car prices vary during the year. By adjusting car-buying to the time when prices are the lowest, you can fight depreciation. Do your buying in the fall after the new models come out, or during the worst weather when sales are slow. Take advantage of dealers' sales when they are trading highest. Obviously, the used car you trade in is lower in value, too, at these times, but it is not as much lower as the newer one you intend to buy. The difference you pay is smaller and thus the depreciation you suffer is less.

The surest way to save on auto depreciation is to sell all of your cars and ride public transportation. This method points up the shortcomings of some of the other methods. Depreciation *can* be worth what it costs. You may find the joys of owning and driving a new car well worth the added depreciation. Still, you should know the costs so you can decide beforehand whether they're worth it.

- TO FIGHT DEPRECIATION:**
1. Choose certain makes.
 2. Choose certain models.
 3. Buy a used car.
 4. Drive it little.
 5. Sell your old car.
 6. Keep a car several years.
 7. Watch accessory costs.
 8. Keep up the looks.
 9. Keep up the works, too.
 10. Time your trades.