

Five Reasons to Sell Your Old Car and Go for a New One

Prashant Mahesh explains when to buy a new car, from a financial point of view

Every car owner's love for his car is different. Some people find themselves out of love in a year or two. For some, the love lasts for, say, fifteen or twenty years, or until the car is beyond repair. The reasons for falling out of love may vary with each owner: some people are in the habit of changing their cars every time a higher version is launched by the company; for some others the car is all about their status symbol; some people junk their car after it has met with an accident and has started giving mechanical problems.

"The rise in monthly disposable income is one of the reasons to buy a new car," says Rakesh Sidana, founder-CEO, mericar.com. "Ageing of the car, mechanical problems, shifting geographical locations are some of the reasons people change their cars," says Banwari Lal Sharma, AVP (marketing), Carwale Automotive. Despite your love or the lack of it for your car, there are some situations

when it would be prudent to let go of your car. Also, there are some compelling reasons why you should go for a new one, especially from a financial point of view. Read on...

RIISING INCOME, STATUS AND HIGHER USAGE

A car is an aspiration for most people. For many, a car is also a status symbol. "Many people change cars just to get better features, and want to drive the latest models," says Rakesh Sidana. As disposable incomes rise, it is natural to see individuals changing cars and opting for higher versions that provide a more comfortable ride. It is likely that in your first job, you bought a small car. However, as your income increases your affordability is bound to improve. Hence you would want to drive a bigger sedan now. If your earlier daily usage was 10 km a day, which has gone up to 50 km a day now, it might necessitate a change since you spend more



time in your car daily. Hence you need a car with parking sensors, better shock absorbers, better seats, better music system to make your drive comfortable. This could mean buying a new car. However, financial advisors sound caution: "Don't spend more than 10% of your monthly income on a depreciating asset like a car," says Vishal Dhawan, founder, Plan Ahead Wealth Advisors. So, if you earn ₹1 lakh per month, it would be prudent to pay not more than ₹10,000 for your car EMI. For a ₹10,000 EMI for five years you can buy a car worth ₹4.5 lakh.

CAR BEGINS TO AGE

There are many who prefer selling a car once it has run 40,000-45,000 km. If you are a regular car user, it could take you a mere three years to cover that distance. Having run 45,000 km, the car begins to age. At this stage, there may be some mandatory expenses on the car. "You may have to change tyres, battery, the clutch could be worn, the AC gas would need to be refilled and so on. In short, this would mean trouble and expenditure at regular intervals," says Banwari Lal Sharma. Many are of the view that instead of spending on such things, it may be well worth it to change the car itself.

DAMAGED CAR

In the rainy season, if you are stuck in water, chances are your car is flood affected and its engine could be damaged. Many a time critical components, like the engine, may be affected in such cases. While it may be resolved temporarily, chances are the problem may recur again. Solving this, could be a hassle and could take a lot of your time and energy. This could be a burden for you and trouble you in the coming days. "In many such cases the best bet is to give up your car and go for a new one," says Banwari Lal Sharma.

TRANSFER

If you move from one state to another, the procedure to transfer your car could be cumbersome. You will have to get a no-objection certificate (NOC) from your current RTO (regional transport office) and lodge the set of papers with the city RTO where you are moving to. Every city RTO levies a road registration charge, which depends on the age of the car. In addition, you may have to pay octroi charges, which could be different for each state. For example, if you bring your one-year old car worth ₹10 lakh from another state into Mumbai, it could cost you as much as 8-10% (₹80,000 to ₹1 lakh) to register it again in Mumbai. In cities like Bengaluru this could be even higher. Hence many a time instead of spending a huge amount to transfer your car, especially if your car is old, it may make sense to sell it in your existing city and buy a new car in the city you are relocating to.

RISE IN EXPENSES DUE TO HIGHER FUEL COST

High petrol prices may necessitate buying a new diesel car as you save on fuel prices. Three years ago, in July 2009, petrol prices were ₹48.76 a litre in Mumbai. Now petrol prices have moved up to ₹75.14 a litre, a rise of ₹26.38, or 54%. So for an individual who drives 2,000 km a month, the fuel cost for a petrol car could be in the range of ₹12,000-16,000 per month. On the other hand, diesel prices have moved up from ₹36.7 a litre to ₹45.99 a litre. If he drives a diesel car, the fuel cost would be only ₹5,000-7,000 a month. "Due to this cost savings, it makes sense to sell your petrol car and switch to a diesel one," says Rajesh Sood, CEO of ecardlr.com.