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## Car buyers cashing in on incentives But getting best deal still requires homework, negotiation

By [Dan Gallagher](#), CBS MarketWatch.com  
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**SAN FRANCISCO (CBS.MW) --** At one time, car buyers looking to cash in on large incentives had to settle for buying a less-than-desirable car.

Those times have changed -- but not completely. Incentives for new cars now sit at record highs, according to the latest research from Edmunds.com, which provides information on new- and used-car buying. [See related story.](#)

In some cases, it is the top-selling cars that carry fat incentives, which can reach into the five-figure range. In other cases, high incentives accompany models that dealers have a hard time moving, as you might expect.

"In the past, incentives were being offered on cars that didn't sell as well. That's long changed," said Rob Gentile, director of auto price services for Consumer Reports. "Now incentives are being used as a sales and marketing tool to get people into the showrooms."

Still, new-car incentives often run a classic inverse relationship with demand. Hot models such as Honda's electric-gas hybrid Insight sell out without manufacturers paying a dime in incentives. Brands carrying a stodgier image, such as Cadillac, Lincoln and Buick, are typically shelling out the highest incentives in the industry.

"If a product is selling itself, then you don't need incentives," said Jesse Toprak, director of pricing and market analysis for Edmunds.com. "Most of the Asian models are doing that."

There are plenty of deals to be had, especially if car buyers are flexible in their preferences. Those willing to consider buying American, for example, can land an incentive package worth, on average, \$3,819 per car versus an average incentive package of \$921 for Japanese cars, according to June data gathered by Edmunds.com.

In some cases, consumers can benefit from games that car makers play on themselves. Manufacturers have been known to jack up the suggested retail price of a car so that it competes in a certain category, only to lower the

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price through incentives at the final point of sale, according to Cars.com managing editor Mary S. Butler.

"Sometimes, incentives bring the price of a car down to where the market thinks it should be anyway," Butler said.

And sometimes, those incentives may keep a car on top of its market. The car carrying the highest incentives in June was the Cadillac DeVille, the best seller in the midsize luxury segment, according to J.D. Power & Associates. Edmunds.com ranks the DeVille's total incentive package at \$11,165.

But the car with the next highest incentive package was the DeVille's poor-selling sibling. The Cadillac Seville offers an incentive package of \$9,043 despite a 2004 sales volume that is less than 8 percent of the DeVille's in the same class, according to information from Edmunds.com and J.D. Edwards.

## More than the incentive

Though large incentives look enticing, experts say car buyers should keep a few things in mind. For one, heavy incentives for a new car can bring down its trade-in value later, especially if the owner cycles through cars every three years or so, according to Butler of Cars.com.

"The marketplace has a memory for these things," Butler said. "Resale value will be affected by a new vehicle's pricing. The longer you hold onto a vehicle, the less that's a problem."

Another cautionary note is that while manufacturers may offer incentives, dealers typically control them. Phil Reed, senior consumer advice editor for Edmunds.com, points out that manufacturers use incentives to move cars, and dealers are not always up to par on the latest program.

"When you talk to the salesperson, they may be as confused as you are about what is available and how it can be used," said Reed, lead author of an Edmunds.com book entitled "Strategies for Smart Car Buyers."

Before visiting a dealer, prospective car buyers should gather as much information as possible. This begins with determining what the dealer paid for the vehicle, using sites such as Consumer Reports, Edmunds.com or Kelley Blue Book (kbb.com). Gentile of Consumer Reports recommends that prospective buyers start with the dealer's cost as the low negotiating point.

"Usually, about 8 percent above the dealer's cost is a pretty good deal," Gentile said. "The key is that no matter the rebate, you still need to negotiate the price of the car."

Most incentives consist of a choice between a cash rebate and an ultra-low-interest-rate loan, although some packages offer a hybrid of the two. Buyers should consider the lifetime of the car before making a decision on what type of incentive to take.

Toprak of Edmunds.com recommends that buyers who plan to keep a car four years or more should take the lower interest rate. But if they plan to trade the car in after three years, they should take the cash rebate, as the low interest rate would not yield enough savings over the short term.

## Timing is everything

Seasonality is working in favor of car buyers this summer as well. Traditionally, cars bearing the next model year usually begin appearing on lots by September. But car manufacturers have been inching up that schedule in recent years, with several '05 models already on lots, according to Butler of Cars.com. This means that inventories will be larger, giving dealers greater incentive to move product.

"For 2004 vehicles, it's a pretty safe bet that incentives will continue until these cars are gone," Butler said.

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Buyers should also be clear when they inquire about rebates, as terms vary. John Honiotes, vice president of dealer and consumer relations for online car seller Autobytel, recommends that buyers ask specifically about the following types of rebates:

- Loyalty rebates, which reward those who already own a vehicle of the same make.
- Competitive rebates, which reward those switching from a close competitor.
- Financing rebates, which reward those who finance their purchase through the dealer.

Honiotes also recommends asking about dealer cash, or money paid directly by the automaker to the dealer. With inventories at their current high, Honiotes said dealers will be more likely to kick in some cash to move cars off the lot.

Here are the 10 cars with the highest incentives, according to Edmunds.com:

Rank	Make	Model	Total incentive
1	Cadillac	DeVille	\$11,165
2	Cadillac	Seville	\$9,043
3	Volkswagen	Phaeton	\$7,936
4	Volvo	S80	\$7,024
5	Cadillac	Escalade EXT	\$6,878
6	Buick	Rainier	\$6,196
7	GMC	Yukon XL	\$6,027
8	Lincoln	Town Car	\$5,949
9	Mercury	Monterey	\$5,921
10	Buick	Rendezvous	\$5,977

Here are the 10 models with the lowest incentives (does not include eight models that offered no incentives -- Dodge Ram pickup 1500 SRT 10, Honda Insight, five Mercedes models and the Saab 9-2X):

Rank	Make	Model	Total incentive
1	Dodge	Neon SRT-4	\$19
2	Subaru	Impreza WRX Sti	\$33
3	MINI	Cooper	\$41
4	Dodge	Sprinter	\$45
5	Audi	S4	\$51
6	Nissan	350Z	\$59
7	Scion	XB	\$95
8	Honda	Element	\$106
9	Honda	CR-V	\$109
10	Jaguar	S-Type R	\$111

Dan Gallagher is a reporter for CBS MarketWatch in San Francisco.

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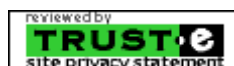
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