

A Practical Guide to Buying a Car

How large dealerships make money and how to negotiate the complete deal

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To the salesperson and sales manager

I am interested in buying a vehicle. I would like a straightforward conversation about the car and the complete cost of buying it. Please review the expectations below while I look around for about fifteen minutes. If we can work on that basis, come find me on the lot or in the showroom.

- I will discuss the vehicle's complete price before discussing a target monthly payment. Please provide an itemized, written out-the-door quote for the specific VIN, showing every required charge, applicable tax, and government fee.
- Identify each rebate separately and explain its eligibility requirements. State whether the price depends on dealer financing, a trade-in, or any other condition.
- Do not include optional products unless I select them. Quote the car without optional protection packages, service contracts, GAP products, or other extras.
- Please value my trade-in separately and show its allowance and loan payoff. Show any negative equity separately rather than presenting only a monthly payment.
- I may compare financing with my bank or credit union. Show the APR, loan term, amount financed, finance charge, and total of payments for any financing you offer.
- I will review the final documents before signing. If the numbers change, we will resolve the difference first. I am prepared to leave without purchasing.

I respect your time and ask that you respect mine. If we cannot agree, I will leave without hard feelings. These expectations are not an agreement to purchase or an authorization to apply for credit.

Who this guide is for

This guide addresses new and used vehicles sold by large franchised dealerships: the big lots, branded showrooms, and dealer groups. Independent used-car lots and buy-here-pay-here transactions raise additional issues outside its scope.

Print the first page and hand it to the salesperson when you arrive. Say, “I am going to look around for fifteen minutes. Please review this with your manager. If you are comfortable working this way, come find me.” Deliver it calmly. It sets expectations; it does not compel the dealership to accept your terms. If you already know the vehicle you want, request a written price before visiting. [1]

Three rules before you start

First, set the terms of the conversation. Hand over the buying conditions. You are giving the dealership an opportunity to decide whether it wants your business on a clear, straightforward basis. You do not need to spend the afternoon arguing about the process.

Second, never fall in love with something that cannot love you back. Enjoy the car and the test drive, but remain willing to leave without it. Walking out need not express anger or bluff the salesperson into a discount. It can simply mean you will not buy at that price.

Third, do not negotiate against yourself. Decide your maximum complete purchase price, down payment, and financing limits before shopping. Keep your absolute ceiling private. When you make an offer, wait for a response. Do not raise it simply because the salesperson pauses, looks disappointed, or heads toward the manager’s office.

A deal that exceeds your limits does not become affordable because somebody calls it a bargain.

How the dealership makes money

Think of the dealership as several businesses under one roof: new-car sales, used-car sales, service, parts, and financing and protection products. Each can earn money from the customer. The principal channels appear below. Arrangements vary, some payments offset expenses, and gross profit is not the owner’s take-home income. [2]

Revenue or support channel	What the buyer should understand
New vehicle sales	The spread between the selling price and the dealer’s adjusted vehicle cost. A market adjustment can increase that spread.
Used vehicle sales and trade-ins	A trade-in can become another retail sale or a wholesale sale. The eventual margin must account for acquisition, repairs, transport, holding costs, and selling expenses.
Manufacturer holdback	Some manufacturers return an amount tied to the vehicle after invoicing. Programs vary; there is no universal percentage.

Revenue or support channel	What the buyer should understand
Factory dealer cash and bonuses	Model-specific incentives, volume programs, and other qualifying payments can change the economics of a sale. Do not assume a bonus exists on your car.
Inventory and advertising assistance	Manufacturers may help fund inventory financing, advertising, or other activities. Assistance is not automatically pure profit.
Financing and lease placement	The dealer may receive compensation for arranging a loan or lease, including permitted interest-rate markup or a flat payment.
Dealer-affiliated lending	Some groups operate finance companies that can earn lending income, while bearing funding costs and credit risk.
Dealer fees	Documentation, processing, administration, electronic filing, or preparation charges may include dealer revenue. A dealer charge is not a government charge merely because its name sounds official.
Accessories and protection packages	Tint, coatings, nitrogen, etching, alarms, tracking devices, wheel locks, and similar products can carry substantial markups.
Finance office products	Service contracts, maintenance plans, GAP, tire-and-wheel coverage, and other products may generate commissions or margins. Some arrangements also provide later profit participation.
Service and parts	Customer-paid maintenance and repair, parts sales, and manufacturer-paid warranty or recall work provide continuing revenue.
Collision and related operations	Some groups also own body shops, auctions, wholesale parts businesses, or other automotive operations.

A customer cash rebate is different from dealer cash: the manufacturer funds the customer benefit, subject to its terms. Require the dealer to separate its own discount from any rebate you qualify for. Do not count the same incentive twice.

Those buildings are paid for by the whole business

The showroom gets your attention, but the service bays and finance office are major sources of profit. In its 2025 annual report, AutoNation reported approximately \$4.95 billion in total gross profit: \$2.36 billion from parts and service, \$1.46 billion from finance and insurance, \$665 million from new vehicles, and \$463 million from used vehicles. Parts and service plus finance

and insurance accounted for about 77 percent of its gross profit. These are companywide figures, not a measure of every store's results. [2]

Large operations combine sales volume with these continuing revenue sources. Buildings and land may be owned with debt or leased, and vehicle inventory is commonly financed. Real estate can also become valuable over time. A large facility is not proof that each car produces an enormous net profit.

But do not mistake "we are only making \$150 on this car" for a complete accounting of the transaction. The business may earn money in several places. You are entitled to evaluate every dollar you are asked to pay.

Why invoice is not the final word

"Only \$150 over invoice" sounds like an open-book transaction. It may describe the difference between two numbers without describing the dealer's final economic return.

The invoice may not reflect manufacturer holdbacks, applicable incentive payments, or assistance. The transaction may also include dealer fees, financing compensation, and product margins. Those sources do not establish that a particular dealer can afford your offer, but they do establish why invoice alone is an incomplete measure. [2, 3]

For illustration only, suppose an invoice is \$40,000 and the quoted vehicle price is \$40,150. Add a \$999 dealer charge and \$1,495 protection package, and your subtotal becomes \$42,644 before tax and government fees. The package costs the dealer something, so the entire \$1,495 is not necessarily profit. The point is that "\$150 over invoice" did not describe your complete price.

Ask for the invoice if you find it useful. Then return to the number that matters: the complete price of the transaction you will actually sign.

Dealer fees and add-ons

My objection to a surprise dealer fee is straightforward. If the dealership needs another \$999 to sell the car, that belongs in the price presented to the customer. Calling it paperwork does not make it a tax. It resembles advertising milk at one price and adding a "farmer milking fee" at the register.

Fees and add-ons are not new, and charging for a real, knowingly selected product is not automatically a scam. The concern is an advertised bargain that grows after you arrive, optional items presented as compulsory, or products slipped into the contract without informed agreement. [4]

Florida law expressly recognizes that a predelivery service charge can include dealer profit and requires specified disclosure. It also restricts charging for manufacturer-required predelivery services for which the manufacturer reimburses the dealer. Separately, its advertised-price provision generally requires mandatory charges to be included, with specified exceptions. [5]

The FTC's September 2026 pricing guidance explains its position that advertised prices must include dealer-required charges, apart from required government charges. Calling a mandatory charge a separate fee does not remove it from the price a buyer must pay. [4]

If the dealer says, "We charge everyone this fee," answer: "Then include it in the complete price. If the fee stays as a line item, reduce the vehicle price enough to meet my offer." Internal policy does not increase your budget.

If an accessory is already installed, you can still decline the proposed transaction. Ask for removal, a price concession, or another vehicle. Do not assume the dealer must sell any car at your preferred price.

What can they really sell it for

In real estate, we often say something is worth what someone is willing to pay. When buying a car, turn that around: the lowest price is what a dealer is willing to accept. Invoice is a reference point. An accepted offer establishes a price at which that dealer will sell.

That minimum is not the same for every car or dealer. It changes with the model, local supply, demand, vehicle age, factory programs, inventory costs, and the store's willingness to make the sale.

A slow-selling outgoing model may sell below invoice. A scarce model may command MSRP or more. Neither outcome tells you what every other vehicle should cost. A month-end visit sometimes helps, but only if a real target or incentive makes that sale valuable. The calendar is not a discount entitlement.

You usually cannot reconstruct every manufacturer payment or discover the dealer's exact minimum. You do not need to. A credible written offer for a comparable vehicle on comparable terms tells you what at least one dealer is prepared to accept.

Compare the same model year, trim, equipment, drivetrain, and condition. For used vehicles, account for mileage, accident history, warranty status, and repairs. Include travel, shipping, inspection, and registration costs when shopping farther away.

Treat invoice and published market estimates as reference points. A genuine competing offer is a stronger negotiating tool than an argument that the dealer must have hidden profit.

How to get a competitive price

1. Choose the vehicle before choosing the dealership. Identify two or three acceptable configurations. Decide which features are necessary and which you can give up. Flexibility increases the number of sellers who can compete.
2. Get financing options before visiting. Ask your bank or credit union for terms and understand any preapproval conditions. A manufacturer's promotional rate may still be better. Compare the complete cost of the available choices. [7]
3. Request written quotes from several dealers. Give each the same requirements and your registration location. Ask for the VIN, itemized out-the-door price, rebate eligibility, financing

conditions, availability, and quote expiration. Initially request the purchase quote without a trade-in so the numbers stay readable. [1]

4. Ask the strongest competitors to improve real offers. Say: "I have a written out-the-door offer of \$ ____ for this configuration. Can you beat it without adding products or changing the financing conditions?" Share a redacted quote if useful. Do not invent one.

5. Set your offer using the market evidence and your budget. If your ceiling is below every credible offer, change the vehicle, wait, or leave. Do not let the showroom persuade you to abandon the limit you set at home.

6. Inspect and test-drive the actual vehicle. Check equipment and condition. For a used vehicle, arrange an independent inspection even at a large branded dealership; a vehicle history report is not a mechanical inspection. Ask to review the Buyers Guide and all warranty terms. [8]

7. Keep the numbers separate through signing. The car price, trade-in, financing, and optional products each deserve scrutiny. Review the completed buyer's order and loan contract, not just the salesperson's worksheet.

The one offer approach

You do not have to spend days collecting quotes and driving between dealerships. Comparison shopping is a tool, not a second job. If you want one visit and one decision, use a firm offer and accept that you may never know whether another dealer would have sold for less.

Before going, spend twenty or thirty minutes checking several listings for the same configuration, the manufacturer's current offers, and any conditions attached to advertised prices. Listings are reference points, not confirmed out-the-door offers. Check financing beforehand if you need a loan. Choose an exact vehicle and a maximum complete price you can comfortably pay.

Ask the dealer to confirm availability and send an itemized out-the-door quote. Then make one offer: "For this VIN, I will pay \$ ____ out the door, including all dealer charges, applicable taxes, and government fees, with no optional products. Please confirm the rebates and payment terms supporting that total. If you accept, I am ready to buy today after a satisfactory inspection and review of the completed documents. If you cannot, I understand." State whether your offer assumes cash, outside financing, or specific dealer financing terms.

If you have a trade-in, obtain an outside purchase offer first or specify a minimum trade allowance and verified payoff separately. Otherwise the dealer can meet your car-price offer while recovering the difference on the trade. If taxes or registration costs must be estimated, require the assumptions and treatment of any difference in writing.

Give the dealer a reasonable deadline for a clear answer. Then wait. Do not raise your offer because the salesperson is quiet or the manager is taking a long time. Under this approach, a refusal or higher counteroffer ends the negotiation. Thank the salesperson and leave your number if you want to hear from the dealer later.

The goal is a price you are satisfied to pay without spending days shopping. You may leave some savings on the table. That is a choice you can make. Your offer gives the dealer a ready buyer on clear terms; your willingness to leave gives the offer meaning.

Do not give back the savings in the finance office

A lender may quote the dealer a buy rate and allow the dealer to offer you a higher contract rate that compensates it. Dealers are not required to offer the best available rate. Let the dealer compete with your outside financing using the same amount financed and term. Compare APR, finance charge, and total payments. [3]

A \$40,000 loan at 6 percent for 60 months costs about \$773 a month and \$6,399 in interest. At 8 percent, it costs about \$811 a month and \$8,663 in interest. That modest-looking monthly difference adds roughly \$2,264. These are rounded illustrations assuming fixed rates, equal monthly payments, no fees, and no early payoff.

If promotional financing replaces a cash rebate, calculate both alternatives. If the quoted price requires dealer financing, obtain that condition in writing and examine the contract's prepayment terms. Do not assume immediate refinancing will be free, available, or allowed on the terms you expect. [1, 7]

Consider optional products individually. Ask what each costs in dollars, who provides it, what it excludes, whether existing coverage overlaps, and how cancellation and refunds work. GAP can be useful in some circumstances; a service contract can have value. Neither should be accepted merely because the monthly payment still fits. [1, 8]

Extending the loan term can reduce the payment while increasing total interest and the time you may owe more than the car is worth. Your monthly budget matters, but a payment is not a purchase price.

Your trade-in is another transaction

Obtain independent purchase offers for your current vehicle. Compare the dealership's trade allowance with those offers, accounting for any applicable sales-tax benefit and the practical costs of selling separately.

Require the dealer to show the trade allowance and loan payoff separately. If you owe \$18,000 and the trade is worth \$15,000, the \$3,000 shortfall still exists. Rolling it into the next loan means you borrow that money again; it is not debt forgiveness. [1]

A generous-looking trade allowance can be offset by a higher purchase price. A discounted purchase price can be offset by a poor trade allowance. Reconcile the entire deal before deciding which offer is better.

Before you sign and drive away

Check the VIN, vehicle price, fees, taxes, rebates, down payment, trade allowance, payoff, products, APR, term, and total payments. Make sure the deposit and any promised refunds are documented. Never sign blank or incomplete documents.

Confirm whether financing is finally approved or delivery is conditional. Read what the contract permits if financing fails. Put promised repairs, missing equipment, and other commitments in writing. Get copies of everything you sign. [1, 9]

Florida does not provide a general three-day cooling-off period for a dealership vehicle purchase. Do not sign expecting to return the car merely because you change your mind. A written dealer return policy or a legal remedy for misconduct is a different matter. [9]

If the final paperwork does not match the agreement, stop. A pleasant salesperson, an afternoon already spent, or a car waiting outside does not obligate you to accept changed terms.

Leave when the deal does not work

“Thank you for your time. The complete price does not work for me, so I am not buying today. You have my number if your offer changes.”

You do not owe anyone a confrontation. You do not need to prove the dealer is making too much money. You need to keep the promise you made to yourself before you walked in.

A final check before you buy

- Do I understand the complete price, including every required charge?
- Are the trade allowance, payoff, and any negative equity shown separately?
- Have I compared financing by APR, term, and total cost?
- Have I knowingly selected each optional product?
- Have I inspected the vehicle and read the completed documents?
- Does this deal stay within the limits I set before arriving?

If you cannot answer yes, pause. You can ask another question, get advice, or leave.

Sources

[1] FTC, Financing or Leasing a Car

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[2] AutoNation, 2025 Form 10-K, business description, financial results and inventory accounting

<https://www.sec.gov/Archives/edgar/data/350698/000162828026007800/an-20251231.htm>

[3] CFPB, What is a buy rate for an auto loan

<https://www.consumerfinance.gov/ask-cfpb/what-is-a-buy-rate-for-an-auto-loan-en-727/>

[4] FTC, Automobile Industry Pricing Transparency FAQs, September 2026

<https://www.ftc.gov/business-guidance/resources/automobile-industry-pricing-transparency-faqs>

[5] Florida Statutes, section 501.976, especially subsections 16 through 18

https://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0500-0599/0501/Sections/0501.976.html

[6] Federal Register, Withdrawal of the CARS Rule, February 12, 2026. The rule was vacated and withdrawn; it is not the basis for the FTC Act pricing guidance discussed in this guide.

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[7] CFPB, Where can I get information on auto loan rates

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[8] FTC, Buying a Used Car From a Dealer

<https://consumer.ftc.gov/articles/buying-used-car-dealer>

[9] Florida Highway Safety and Motor Vehicles, Buying from a Licensed Dealer

<https://www.flhsmv.gov/safety-center/consumer-education/buying-vehicle-florida/buying-licensed-dealer/>

General consumer education. Laws, incentives, financing programs, and contract terms vary.

Sources reviewed October 15, 2026. Numerical deal examples are illustrative.

About the author

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