

Cash for Clunkers Comes with some Caveats

Imagine being able to save the environment and the car industry all in one fell swoop. Imagine being able to give that effort a catchy name and get it quickly through Congress, too. "Cash for Clunkers" is the latest inception from the Obama administration to help the struggling economy, the ailing auto industry and the future of the environment. That is an impressive Band-Aid.

But as CNNMoney points out, some caveats should come with that offer of help. This initiative is the Consumer Assistance to Recycle and Save Act, part of the Supplemental Appropriations Act of 2009 passed in Congress earlier in June. The bill allows individuals and businesses to trade in older cars and trucks for new more fuel efficient models.

"New" is the operative word here. The government is offering refund vouchers of \$3,500 or \$4,500 in place of the ordinary trade-in value of a vehicle to go toward the purchase of a new, not used, vehicle. As CNNMoney pointed out, if you drive a clunker worth less than \$4,500, maybe you shouldn't be enticed to buy a new car that is sure to include a monthly car payment.

Here's how it works: The plan runs from August to November 2009 and offers passenger car owners a \$3,500 voucher if they trade in a car getting 18 miles per gallon or less for a car getting at least 22 miles per gallon. There is the same voucher amount for owners of pickups, minivans and SUVs who trade in vehicles getting 18 mpg or less for a vehicle getting at least 2 mpg more than their old vehicle. Not an impressive win for the environment.

The government ups the ante to a \$4,500 voucher, however, if car owners purchase a new car that gets 10 mpg better than the trade-in. Owners of pickups, minivans and SUVs can get the \$4,500 voucher if they purchase a new vehicle that gets at least 5 mpg better than the traded-in vehicle. To check the miles per gallon for any vehicle go to www.fueleconomy.gov.

Some of the fine print includes the fact that participating auto dealers must ensure that the traded in vehicles are rendered inoperable by crushing or demolishing them to keep them off the road. Trade-ins must be drivable vehicles of a model year 1984 or later, insured and registered to the same owner for the previous year.

Who it helps: This program is a benefit if someone is considering purchasing a new car anyway. It's important to know the trade-in value of a vehicle before heading out the door to car shop. There are several websites that offer this type of information, such as Edmonds or Kelley Blue Book. If a car is worth more than the \$3,500 to \$4,500 voucher, then the cash for clunkers is not a good financial move. Also, the voucher shouldn't be confused with other incentives auto dealers may be offering. As CNNMoney puts it: "Be sure to negotiate the purchase price just as you always would."

About the Author

Ki developed a clearinghouse website of [Austin MLS](#) listings. On the site, [Austin real estate](#) buyers are able to do customizable searches it also has information and statistics on neighborhoods like [West Lake Hills](#).

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