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Why Dealer Warranties Are a Costly Mistake

If there is something I can caution you about the most when buying a car warranty, it would be that you really need to be aware of the tactics car dealers use.

This may come as a shock, but most dealers do not sell warranties that are insured by the manufacturer. They sell independent warranties. They are middlemen and the warranty is marked up for huge profits in addition to the sale of the car.

Not only that, but if the car salesman convinces you to add the cost of your warranty to the financing, you'll pay a lot more for your warranty. For instance, if you buy a \$1500 warranty and have it added to your financing, you'll pay additional interest for the warranty over the life of your car loan. Is that a smart decision?

And if you're buying a so-called "Certified Used Car," don't be fooled by the sticker slapped on the windshield touting how the car has been through a 150 point inspection. Looks impressive, but remember who put it on there...the dealer! Of course they are going to say it's certified because they have their own people doing the certification.

Just last year I had a family member who bought a car from a used car dealership and was told it was in "pristine condition" as they had just completed a "thorough" inspection from bumper to bumper that very morning. I wasn't surprised at all when he took the thing back for his first maintenance checkup and was told there was a major repair (not under warranty of course) that obviously couldn't have happened in the time he owned it.

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