

Step-by-step guide to great deals at car auctions.

How to Buy Cars at Auctions

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HOW TO BUY CARS AT AUCTIONS



By Andy Small

Published by:
Andy Small
5309 44th Street
Beaumont, AB T4X 1J6
Canada
<http://www.theauctionbook.com>

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How to Buy Cars at Auctions

My friend Lorne is probably like a lot of people. He says he knew someone who bought a car at an auction and got a great deal. He thought about doing that too, but he admits he really doesn't know what he's doing and he's afraid he'll buy a lemon or pay too much. Most people feel the same way about auctions. They know people who bought a great car at a cheap price, but they also know people who got hosed at the auction. They paid too much, they bought a piece of junk, and they got ripped off. How can you be sure you're getting a good deal at an auction? How can you tell if the vehicle is in good driving condition when you usually can't test drive it?

There are people who make a living of buying vehicles at auctions and reselling them, either at another auction or on their lot. For many years, I was one of those people. Through trial and error I learned the "tricks of the trade." I learned what works and what doesn't, which vehicles to buy and which ones to walk away from, when to bid and when to stop bidding. You have an advantage: instead of learning at the school of hard knocks, you chose to take the simple path and buy this book.

If I could condense this entire book into one sentence, it would be this: Do your homework. People get nervous in the excitement and fast pace of an auction. However, that should have no effect on the decisions you make because most of the decisions you make should happen long before the auctioneer turns on his microphone.

Although this book is primarily designed to help someone with little or no experience purchase vehicles at auctions, the principles of buying at an auction are the same no matter what kind of auction you go to. Whether they are auctioning livestock, antiques, household goods, real estate, heavy equipment or cars, it doesn't really matter. Once you've learned the basics, you'll be prepared to shop at any auction.

Part 1: FAQs and Basic Info

1. Why buy at the auction?

There are two main reasons people go to the auction. Obviously the first reason is to get good deals. Let's say you're looking for a five-year-old family car. Have you ever noticed a five-year-old Ford on a Chevy dealer's lot? Probably not too often. Usually the new car dealers dump their trade-ins at the auction. The used car dealers buy them there and try to sell them at a profit. Why not just keep that used car dealer's profit in your own pocket?

The second reason people go to auctions is because sometimes there are rare items that you can't just walk onto a dealer's lot and buy, particularly heavy equipment or specialized cars. If you're a construction company and you just got more contracts than you expected, you need to expand your fleet right away. You can go to the dealer and they'll tell you, "Yep, we can order it in for you and it'll be here in a couple of months." Or you can go to the auction, buy it today, and put it to work tomorrow.

2. Do I have to be a dealer to buy and sell cars?

No, you do not have to be a dealer to buy and sell cars. However:

- a. There are some auctions that are only open to registered dealers.
- b. Check the tax laws in your area. You may end up paying full taxes on each vehicle you purchase. This increases your purchase price and you may not be able to sell it at a profit. If you plan to buy and sell more than a few, it may be worth your while to become a dealer. Then you will be exempt from most taxes. The taxes you are not exempt from you may be able to charge to the customer that buys the vehicle from you.
- c. Check the regulations in your area regarding how many vehicles you are allowed to buy and resell in a year. I met a guy from California at an auction in Edmonton. He said, "We're allowed to do twelve vehicles a year. Well, what I mean is I'm allowed to do six and my wife is allowed to do six." You get the idea.
- d. If you're going to buy for resale, don't pay more taxes than you have to. Get a business license and do it right. But that doesn't mean you have to spend a lot of money. Find the minimum requirements. Maybe team up with a dealer, especially a small dealer just starting out. A car repair shop could quite easily get a dealer's license. They will sell the car for you, and use their tax-exempt status to save you paying the taxes. Obviously they are going to want their piece of the pie, and that is between you and the dealer as to what that will be. Maybe it will be 50/50. Maybe he will want a flat rate or consignment fee. That's up to you to work it out. Just remember one principle: in order to have a successful negotiation, both parties must be satisfied.

3. Is it worth it to travel to an auction in another region if there's something there I want to buy? How far is too far to travel?

It's common for people to travel to auctions all over the world. It can be very worthwhile if you plan well, or it can be costly and time consuming if you don't. Auction companies like out-of-town buyers. There's a saying: "Flyers are buyers." They know that if you've taken the time, effort and money to travel to their auction, you are obviously a serious buyer. The larger auction companies make a

special effort to accommodate out-of-town buyers. The travel section on their website will mention nearby hotels, car rental companies and airlines that may offer special deals for auction attendees.

a. Travel as far as you want to. Keep in mind that you should deduct all your travel expenses from the price you are willing to pay. If you are willing to pay \$10,000 for a vehicle in your hometown but you rack up \$1,000 in expenses travelling to an auction somewhere else, then don't you dare pay more than \$9,000 for the vehicle at an out-of-town auction.

b. What are travel expenses? Most people can think of the basics: air fare, hotels, meals, taxi fare, rental car, gas, parking, etc. Often people forget about one of the greatest expenses: your time. Time IS money. If you took two days off work to go to the auction, you need to add two days wages onto your expenses list. I know, you say it was on the weekend so you didn't actually miss work, but if you didn't go to the auction, you could have stayed home and worked overtime. I know, you say that going to the auction is fun, so it's not actually work. Your purpose for going is to save or make money. The fact that you had fun is just a bonus. If your only reason for going to the auction is to have fun, then it's a sport or hobby, in the same class as golfing, fishing, or hunting. And they all cost money! I know, now you tell me that if you get really good at those sports and hobbies, you can actually make money. If you want to make money with your auction "hobby", well...keep on reading.

c. Look for hidden travel expenses. Aside from the obvious expenses and your time, there are still more expenses you may not realize at first:

- * Long distance charges on your cell phone,
- * At-home costs while you are gone: babysitting, pet care, paying the neighbour kid to water your lawn and bring in the newspaper.
- * Entertainment while you are gone

d. Keep travel expenses down. Plan ahead; watch for seat sales on airlines and deals on hotels. When booking an airline ticket, it is good to book a return ticket if the price is low. If you don't buy something at the auction and now want to fly home, you may end up paying an arm and a leg for that last minute flight. Even though you buy something at the auction, you may decide to ship the vehicle back and fly home. Most airlines will charge you a small cancellation fee and refund or credit you the rest if you don't use your return flight. Check about the cancellation policy with your airline and ask about the availability of cancellation insurance.

Sometimes availability of airline tickets, hotels and rental cars is a bigger issue than getting a good deal. If this is a big auction, how many other people are travelling to that SAME auction, planning to rent a car from the SAME airport and planning to stay in the SAME hotels near the auction? Call ahead to make

reservations. Don't just assume you'll get a car or a hotel room without a reservation.

If possible, travel with a friend. You can share the rental car and the hotel. Aside from keeping you company, there are a lot of other advantages to travelling with a friend. Two sets of eyes and ears are better than one. You can check out the vehicles together. He will notice things that you may have missed, and vice versa. Maybe you bought two vehicles and he didn't buy anything; he can drive one home for you. If you bought a truck and he bought a trailer, you can cooperate. Maybe one of you bought a truck and the other bought a bunch of tools and parts (notice I didn't say junk; that's what my wife is for); you can carry home the parts in the truck.

4. Who is my competition?

To a certain degree auctions are a big game of intimidation. The intimidation doesn't start when the auctioneer turns on his microphone. It starts hours before the auction, or even a day or two before, when you are out doing your homework by inspecting all the vehicles, which you're going to read about in the next section. You aren't alone; all the other buyers are out there too (or at least they should be). It is very common for people to talk to each other as they're looking at a vehicle. Rarely do they talk about the positive aspects of the vehicle, but they sure want you to know what's wrong with it. Likewise, you want to make sure that they notice the rust that's bubbling up from that new paint job, or the oil leak, or that funny sound in the engine. The last thing you want is for someone else to think that this car or truck is in great shape and bid against you as if it is.

When you are chatting it up with the other people as you kick the tires, take everything they say with a grain of salt. That funny ticking sound in the engine may be normal until it warms up. That oil leak might be very simple and inexpensive to fix. If you hear things like, "Oh yeah, I know where this truck came from. They don't take care of their vehicles very well," he may be telling the truth – or he may be trying to discourage you from bidding on it. The best way to sort through all this stuff is to know what you're talking about or have someone with you who does know.

If there are a lot of people crowded around a certain vehicle that means there are a lot of people interested in that specific vehicle. That may mean lots of people will be bidding on it, driving the price higher. If it's an interesting or rare vehicle, a lot of the people hanging out around it might just be looking with no intention to bid. You might be surprised how few people will actually bid on it. If you're serious about this vehicle, don't let the crowds scare you off.

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