

**LEARN HOW TO BUY, SELL AND TRADE  
LUXURY & EXOTIC CARS  
FOR FUN AND PROFIT**



**EXOTIC CAR HACKS**

# Introduction

**Disclaimer:** *Before we begin, you should keep in mind that you must have the ability to purchase an exotic car and be able to afford its maintenance and expenses for this method to work. I will even go as far as saying that those that hope to drive and get paid, but cannot afford to purchase and maintain an exotic car, should avoid all together from acting on this method. As with any method out there, risk is always existent and, therefore, should you not calculate everything correctly. The loss could be significant on someone without the means.*

Many of today's exotic cars as well as top selling luxury cars such as, BMW, Mercedes, Audi, Jaguar, Land Rover, and so forth, offer multiple lines of cars, which all include warranties that are valid for 4 years or up to 50,000 miles. They all also offer some vehicles with enhanced performance packages, which you might recognize, such as BMW M Power, Mercedes Benz AMG, Audi S and RS Line, Jaguar R-Type or Land Rover Supercharged.

Those particular vehicles are enhanced in performance and appearance. They are simply more in demand by enthusiast car collectors who are willing to pay \$15K to \$25K or so on the premium these vehicles bring. We all know that these vehicles are extremely expensive, by no means discounted, and rarely sold with incentives. These particular cars appeal to the masses, though are simply out of reach from the majority of people's wallets.

So how is it that so many of them are out there and yet keep getting driven by younger and younger crowds?

In order to understand this, you must have a basic understanding of a car's life cycle. A luxury car is sold or leased by a dealer at an MSRP price; the car leaves the lot and immediately depreciates 20-30% (which is OK if you leased, but not if you own). This car is now driven 2 to 3 years on average and either turned back in if leased or simply sold or traded-in at another dealer.

By now, this particular car has 30,000 miles, is still under warranty and has a few signs of wear and tear in and out of the car. Once this car makes it back to the dealer, it is prepped and made ready to find a new home. If the car make is the same as the dealership (for example, a Mercedes traded in at Mercedes dealer) and the car meets a certain criteria, the dealer can choose to certify the car and extend its factory warranty for another year or two and bump the warranty mileage up to 100,000 miles instead of 50,000 miles, giving the new buyer peace of mind with a slight increase in price. This car will now be sold to a second owner at about 50% of what the original sticker was. The car still looks and feels new, has low miles, a warranty, and ultimately is 50% cheaper than what the first owner paid.

This second owner is smarter than the first as he is now driving a \$100K car for only \$50K. In other words, driving a BMW 7 Series for the price of a BMW 3 series. The

perception is that there is a \$100K car on the road, making it equally as good looking as the newest year model out at the dealership, as it is only 2-3 years old, still looks new and the model of the car has not been updated yet by the manufacturer to a newer version (as most manufacturers spend 7-10 years on each model before complete redesigns).

Car models for exotics change every 8-10 years and luxury cars change every 6-8 years instead of every 4-5 years for high volume cars like Toyota or Honda, which means your luxury car looks newer for a longer period of time, as long as its maintained properly.

Would you rather own a 2015 BMW M4 for \$91k or a real mans two-year-old BMW M5 for \$56k (which by the way had an MSRP of over \$110k+)?

When it comes to depreciation, a car that has had only one previous owner and is still under the original warranty is as good as a car that has had two previous owners and has been re-certified by a dealership. However, a car that has had two previous owners and is no longer certified will take a significant depreciation hit.

Once the second owner decides to let go of the car, they usually do so while the car has one or so years left of certified warranty, and mileage is now at 35K to 45K miles, which may require maintenance items (i.e., brakes, fluids, tires, etc). Some would rather not deal with the maintenance items and simply dispose of the car; others replace the components needed and then dispose of the car as they do believe it will help sell the car.

At this point, the car has taken its main 50-70% depreciation hit and most problems have been worked out, as its been under warranty for close to 5 years and still has some warranty left (usually 1 year or another 50K miles).

This second owner will attempt to trade in the vehicle at a local dealer which will probably offer him a cash value quote based on car auction prices, which are always ridiculously low. This will most likely turn the owner off from trading in their car. Instead, they will resort to attempt a sale on his own through sites such as [Craigslist](#), [eBay Motor](#), [Auto Trader](#), or [Cars.com](#).

## How Exotics Depreciate

Are exotic cars a better investment than an ordinary car? For the most part, exotics can be an investment. A lot of your money is going into some sort of asset, yet ultimately they allow you to take additional monies out when compared to a regular car, which loses its value to zero eventually.

When you purchase an ordinary, common car, your thought is to purchase it to use until it is no longer drivable. When you purchase an exotic, pretty much you are obtaining a

toy that many people want. A toy you can probably just put into a display case to be admired and desired by everyone, as these cars barely get driven.

The difference is that volume cars are everywhere and upgraded often making previous models undesirable and worthless with time. Unlike exotics which often use the same chassis for decades, upgrading the body and engine components only making the cars to look new for 10-15 years at a time and through two generations of upgrades.

Each exotic also has history and often has a unique following that likes the older models due to what their significance was during their era. Some people like older Ferrari's as those were the ones they dreamed of as kids, and others like them because they were the last of their kinds with such certain engines or perhaps made famous based on movies they appeared in.

The real blow here is that there is a bottom line for depreciation on exotics, which does not exist on ordinary volume cars. This differentiator makes any Ferrari, no matter how old, never sell for under \$45,000 vs. a volume car like a Lexus once selling for \$100,000, yet worth for \$5,000 eight years later.

These are simply examples but reality is that there is always demand for exotics even years later and it comes down to condition and mileage. On the other hand, there is no demand for a 12-year-old Lexus even if low mileage and clean.

### **Why do they depreciate so much?**

Every car depreciates quite a bit, partly because the cars are simply not worth what they are sold for, but rather blown with marketing costs making that portion disappear as soon as you leave the lot.

The secondary depreciation model over the first two years is directly related to warranty and cost of ownership, which increases significantly with the aging of the car. As the warranty runs out, people are less likely to buy the cars at their original high costs, as repairs alone can add up to the cost of it, if the wrong car is selected.

When a new Ferrari emerges and costs \$200,000, it comes with a 24-month unlimited mileage warranty, this giving the owner a peace of mind that he will only pay for maintenance. Although, once the two years are up and the car has barely been driven, there has not been an opportunity for the car to break down; therefore, the warranty is simply not there anymore.

The cost of a faulty power steering rack is close to \$8,000 and most engine malfunction will cost you at least \$2,000 which can add up to five figures quickly without mentioning the cost of maintenance.

Understanding that people are scared of absorbing these further costs makes owners dump their cars. Buyers like predictability and often will not take a chance on a car that

has broken down on them 5 times in 1000 miles worth of driving. They don't mind paying \$5,000 a month to own it, but they don't want to pay \$5,000 one month and \$30,000 the next. They will sell for cheap but part of that sale is just like in the stock market, which is based on the possibility of the breakdown and not the fact that it will actually happen.

Believe it or not, fear is something that consumes people of all wealth levels and in this case, opens a great opportunity for others to profit and enjoy the by-products of such fear by buying exotic and luxury cars much cheaper.

## Choosing the Right Brand

There are many factors to consider when selecting the marquee. The first and most important is the demand and innovation of such marquee. That would follow with the model line, popularity and upcoming design changes of the lineup, which should all be taken seriously.

For example, understanding that the Aston Martin V8 Vantage started in 2006 and was not changed until after 2013, is very important because the body design and appeal will remain the same for the 2006 through 2008 models, and even all the way to 2013 models. This now includes the largest depreciating factors that have already been taken into consideration.

The Aston Martin came into this market to compete with the Porsche at the entry level pricing of \$120K. Through this, it will help you comprehend why it was a successful selling vehicle of its model line.

In addition, it is an introduction for most to the marquee in hoping they will graduate to the DB9, DBS or V12 Vantages as time goes by.

Be aware that the V8 Vantage platform is one that is now starting to receive more aftermarket attention by aftermarket tuners thus showing the demand. This will show that other predictions can increase in the number of cars out there, as well as a younger demographic crowd acquiring them. This also makes a perfect recipe for the perfect investment.

### Factors in a nutshell to understand and analyze:

- The demographic crowd purchasing the car (25-35 year olds).
- The attention aftermarket tuners have given the car thus far. (Have a full range of parts available.)
- The amount of cars on sale at the current time. Check [eBay Motors](#), [Auto Trader](#), and other online sources. (No more than 30 examples or within reason should be available.)
- The history in reliability. (No major repairs or recalls.)

- How long the models of each marquee have been available (at least 3 models out. 3 years each.)
- The general desirability of the models and the online communities supporting them. (How many groups and forums dedicated to the car. How active are they and what are those saying.)

These are all great ways to gauge the marquee and its impact on resale, in which we will discuss later on. From our own experience, the most desirable and efficient marquees that fall under the above factors are in order from “most probable” to “least favorable”:

- Lamborghini
- Maserati
- Ferrari
- Bentley
- Aston Martin
- Porsche
- Rolls Royce
- Others

Therefore, choose carefully as nothing is guaranteed and the more research that goes into it, the less likely you are to face a mistake that can cost you money. At the end of the day, you should also start from an angle of comfort.

Buying your first exotic using this method on a Ferrari 458 can be great but without a repair network can lead to big losses if not played right. I recommend focusing your efforts on gradually getting used to the system by buying maybe a Porsche and getting used to how low it is, how much attention it gets, and finally understanding its repairs as well. You want to make sure you don't scare yourself away by buying the wrong car and being stuck with a \$30,000 repair.

## **Mistakes to Avoid**

The biggest and most conventional mistake made by potential buyers is the lack of patience finding the precise car. The supply of exotics on the market is simply less than your average vehicle. Also, the fact that you are purchasing a car that costs as much as a house; with more reason you will want to be specific on options and modifications to making your selection even slimmer than you already know.

There might even be times when you wait for weeks before one appears on sale locally in the U.S., so how can you wait so long without getting impatient?

That indeed determines the difference between those that get the right car and deal, and those that just get the right car.



Being patient and understanding where to glance are the true sources to finding that exact car and waiting along for the precise deal. Being impatient and particular will simply lead you to the wrong car or the wrong deal.

Be patient and follow the process without skipping steps (i.e., inspections, oil changes, etc.)

### **Most common mistakes made are:**

- **Believing a dealer:** Dealers are crooks, well not all dealers, but you are better of assuming that, meaning that they will use verbiage that gives them full deniability over time.

Here is a simple example: You ask a dealer if a car has ever had paint work or been in a car accident and the response you get is *"It has a clean Carfax and never had a painted panel to my knowledge."* While this sounds like it answered your question, it was far from it. It simply is validating that [CarFax](#) is clean, which doesn't mean it hasn't been crashed and it also says that according to his "supposed" limited knowledge nothing has been repainted which he can later claim that his job is to sell cars, not to inspect them.

While you buy into that, the reality is that its complete bullshit meaning that the sales guy knows their exotic cars and luxury cars well enough but their goal is to sell you, not help you.

- **Don't fall victim to a dealer's word.** Make sure to go through the inspections as needed and don't let them tell you someone else is also selling that car to another buyer. That is a strategy to make you think there is a need to act now and in 9 times out of 10, is a complete lie.

If a car has been sitting for 90 days, what are the odds that all of a sudden, it now has 5 buyers interested when no one else was before?

- **Low mileage isn't always better:** Most assume that a 2,000 mile car is better than a 10,000 mile car but that isn't always the case. Most low mileage cars haven't been driven and therefore parts haven't moved and breakdowns haven't occurred.

While that's great, it also is true that the warranty is now gone and any future breakdowns will be on you. The cars hasn't had a chance to showcase if it will break down much or not and since most of these cars are hand made, some are built great while others suck. Don't make that assumption.

- **Don't be afraid to lose money on inspections:** 1 out 3 cars I inspect are terrible and cannot measure up which means no one should buy them. This isn't

seen until an inspection is done. Meaning that if you skip the inspection process you could be in for big surprises.

Stick to your guns and pay the \$500+ fee to have the cars fully inspected by someone qualified, especially when not local. There are two reasons for that:

1. To save you money on repairs
2. To have a visual inspection as photos always look great but the truth can hurt. I have saved thousands on cars by going through this process. I have also lost \$5,000 one time by not going through it.

Don't trust the ad, inspect the proof: If an ad says \$20,000 in upgrades, investigate what those are, and find out for yourself what those are really worth.

Upgrades are nice, but don't go by what is shown to you, go by what you can verify. Ads that state all dealer maintained car means there must be records of that, and it is your duty to ask for it in order to make sure you are not paying good money for an average car disguised as a great car.

These are just some of the most common mistakes made. You can find more on specific mistakes in our case studies based on the cars themselves.

## Best Cars That Work With Our Strategy

We have done the homework for you and included model years for the specific cars that have:

**A) Shown to have market demand over the years, and**

**B) Shown to have less known mechanical issues, or by now had had all issues fixed as indicated in the service history of the car.**

Remember, there is always some risk involved in purchasing of vehicles (both mechanically and in terms of market demand when it comes to resale), but this list aims to reduce that risk on both fronts and to give you an advantage so you can make this formula work for you.

Aston Martin V8/V12 Vantage

Aston Martin DB9

Aston Martin DBS

Audi S7/RS7

Audi S8

Audi S5/RS5



Audi R8 V8/V10  
Bentley Mulsanne  
Bentley Continental GT/Speed/Supersports  
Bentley Flying Spur  
BMW 6 Series  
BMW 7 Series  
BMW Alpina B7  
BMW M5  
BMW M6  
BMW I8  
BMW M3/M4  
Chevrolet Corvette Z06  
Chevrolet Corvette ZR1  
Dodge Viper  
Fiat Abarth  
Fisker Karma  
Ferrari California  
Ferrari 360 Modena  
Ferrari F430  
Ferrari 458 Italia  
Ferrari 599  
Ferrari 550/575  
Ford GT  
Lamborghini Gallardo  
Lamborghini Murcielago  
Lamborghini LP640  
Lamborghini LP560/LP550  
Lamborghini Aventador  
Maserati GranSport  
Maserati GranTurismo S/MC  
Maserati Quattroporte GT/GTS  
Maybach 57/62  
Mercedes-Benz SL55/SL65 AMG  
Mercedes-Benz CL65/CL63 AMG  
Mercedes-Benz CLS55/CLS63 AMG  
Mercedes-Benz CLK63 AMG Black Series  
Mercedes-Benz McLaren SLR  
Mercedes-Benz C63 AMG

Mercedes-Benz SLS AMG  
Mercedes-Benz SL65 AMG Black Series  
Mercedes-Benz S63/S65  
Mercedes-Benz ML63  
Mercedes-Benz G55/G63  
McLaren MP4-12C  
Nissan GTR  
Rolls Royce Phantom  
Rolls Royce Ghost  
Porsche Panamera  
Porsche Cayenne Turbo/GTS  
Porsche 911 Turbo/GTS/4S  
Tesla Model S

## Finding the Right Car

It is simple though it takes time. You need to find that second owner looking to dispose of their car for a bit more than what the dealership offered them. Due to their separable emotions and the need to relieve themselves of the car, these owners will sell at a much lower price than what the dealership would normally sell this same car for.

This being that, it will still be below market as it is slightly higher than the already ridiculously low auction price. Finding the precise car takes patience, therefore, avoid being particular on options or colors, or seeking for a car that suits your every desire in preferences. Think of this as a business deal, not so much as a stylish car that you may become emotionally attached to.

**Here are some criteria's you may want to consider when searching for a precise car:**

- Car is more than 3 years old
- The least amount of previous owners as possible (less than 3-5 max)
- Performance models or exotics (Mercedes AMG, BMW M, Audi S/RS Line, etc.)
- Car has factory (not aftermarket) warranty left (minimum 6 months)
- Neutral colors are best (silver, black, or white) for luxury cars
- Research what colors work best on exotics, not just what you like
- The more options the better (unless cost is impacted highly)
- Aftermarket options are a REJECTION, unless ALL factory parts are included
- No paint work (except front bumper is acceptable)
- No accidents (no matter how small or minor), unless car price reflects that
- All service records available and showing good maintenance history
- Currently needs no more than \$1500 of work (brakes, tires, fluids, etc.)

- Has been driven less than 10K per year
- No fading, rust, or damaged paint
- Understand the previous use for the car (track, street, weekends, etc.)
- Dents are passable as long it is limited to 1 or 2 panels
- Overall interior and exterior is clean
- Clean [CarFax](#), [AutoCheck](#), and service record reports
- Decent title without salvage or rebuilt issues
- Check the reputation of the advertising dealer (Speciality dealer or generic?)
- Ask on car forums if anyone knows the background on the car or Google the VIN

Not only should you follow these guidelines, but doing basic research and understanding the car's true cost of ownership is also very important. Making sure to do some additional research on sites like [Edmunds](#) or [CarsDirect](#) should help you make a more educated decision on which model is right for you, and which model is not going to cost you more than you can afford to pay for maintenance. Look for a category called "True Cost of ownership" in each of those websites to compare and do an average of the yearly costs of ownership.

All this may seem like a lot of steps to take and limiting your options, although it really does not. You will notice that most of these performance models are owned by people who specifically cared for their cars, they are for the most part in better condition than most ordinary cars found on the roads today.

Making sure the car is as immaculate as when you bought it, for example, non-excessive mileage, is the only key to making this strategy successful.

If you purchased the car with 35,000 miles, and we agreed that 10,000 miles a year was the cut off, then the same rule applies and the car should not have more than 45,000 miles by the time its sold. Keeping it in pristine shape and continuing the service history is also equally as important. Make sure that if you do buy a higher mileage car, you are buying it at a significant discount.

## Negotiation Tips

Negotiating your exotic car is an important part of the process, as this means the difference between driving for free and losing \$10,000 or more on the trade. Keep in mind that certain exotics do not depreciate past a certain amount and that after their depreciation has hit its five year peak, only condition, mileage, and color changes the price point at which people buy cars thus limiting the issues that are often associated with timing.

Understanding that location of purchase and the economy has a bit more to do with your purchase than you think.

We know that with ANY business, supply and demand play a significant role and that correct timing is essential. The exotic car market is just the same way, as there are not that many of the same cars for sale at any given time, making outside factors more likely to impact the trade. There will be times when additional cars are for sale giving you a broader range of options and offering you the ability to drive prices down for very desirable models.

On the other hand, the same holds true when a dealership knows they have the only blue Lamborghini on the market and are asking \$5,000 more, that someone will come along to purchase it, which will have less room to risk.

Given that the negotiation is a key factor to finding the right car, you will need to spend time daily searching all major websites. This will give you the opportunity to know what is on the market, how long it has been there, and what new cars are available. Perhaps even making older ones that have not been sold, a better buy.

Understanding the black book cost of a car then subtracting the retail price is what often gives you advantage over the dealership. Understanding that the dealership needs to make money on the deal also goes without saying, yet it is an important part of the equation.

While you may not have access to black book value, it is very easy to find out what its worth. Simply call a completely different dealer on a car you don't care for and tell him you live far away, then tell him you want to trade in the (supposed car you want to buy) and see what they offer you for it. That way, you have a ballpark of where that car you are about to buy is worth to another dealer, almost like its lowest cash price. The goal is to find a ballpark and add \$3-5 k to get to the real black book value.

**Here are some general facts about exotic cars and how dealerships leverage them:**

- Dealerships purchase cars at auctions or through desperate buyers, therefore, buying them cheaper than you think.
- The more unusual the color, the less the dealership paid for it.
- Modified cars are usually attained once more at a cheaper price by dealerships, yet later up-sold to their customers because of those same mods.
- Dealerships that claim to have completed the maintenance needed when the car arrived sometimes have no documentation to show proof. Unless it is a dealer of same marquee, don't trust that.
- The stock market has a lot to do with supply and demand and quite a lot more to do with pricing on exotics. The more money people make, the more they buy cars. Bad economic times means low sales.
- Original listed prices on sites and dealer inventory sheets are usually much higher than they expect to get. Dealerships know the market very well and list their cars as high as possible to get as much as they can. Don't be intimidated by the dealers asking price.

- The right exotic at the right price will not last more than a few days, be ready to pull the trigger and have funds waiting.
- Never get financing through the dealership unless you are aware of what you are worth to a credit union. Don't just buy it when the dealer tells you that rates are great now. Be informed about your score and what you can get elsewhere. If the rate is reasonable and aligned with what you can get elsewhere but more convenient at dealer, then get it.

### Here are some additional general tips about negotiating:

- **End of month matters:** While many dealers claim it doesn't matter and that the total cars they move is the key, they also don't tell you that if they don't meet their quotas by month's end then they can have a pretty bad month from both corporate as well as from a pay standpoint. Dealers are more likely to make aggressive deals on cars to meet total cars sold by the last 3 days of the month. I recommend buying a car from a franchise dealer on the last 2 days of the month.
- **Know the market, don't talk out of your ass:** Don't just say things like "I can buy one for \$15K less elsewhere", simply back it up with proof. I often negotiate two cars at once and play two dealers against each other, and the one who gives me the best deal wins. Make sure to let the other dealer know what you are working with.
- **Show your readiness to buy:** Dealers don't disclose all their cards if you are not ready to buy. Either show proof of funds or get approved by their bank before even closing the deal. This shows them that if they can convince you, you can make a decision right then and there to buy. It is best to push them lower by preparing the negotiating by showing your ability to buy today. Makes them hungry and willing to show their best deals.
- **Your salesman is not your friend:** The way a dealership works is the sales guy making you believe he is on your side and the manager is the gatekeeper. In most cases, the sales guy knows the manager's play but gradually gets to it as the best deal earns them less money. Dealerships make money based on how much over a \$\$\$\$ figure a car is sold. Don't be a friend to the sales guy or don't let your guard down.

## Getting a Pre-Purchase Inspection

The private purchase inspection also known as PPI is very important and critical in finding and validating the right car. It should never be skipped and it should be the least of your worries for spending money on it.

### There are two types of PPI you can perform:

- **Dealership PPI:** You find a local dealership outside of the one you are buying the car from that services those cars, (Aston Martin dealer for Aston Martins) and call and request an inspection. You typically get two options: one for ~\$500 and

another for ~\$800 and depending on how you feel about the car, you pick which fits best. The simpler and cheaper one is enough to check basic things like brake usage, clutch reading, or leaks and visual inspections. The second one is better for high-end compression tests or more in-depth looks into the car. Dealership PPI are good if no great independent shops are around.

- **Independent Shop:** These are incredible shops that repair exotics, tune them, and work on them all day but are not accredited and don't have a dealer label on them. They typically do a better job for less money and typically know the cars better than the dealerships. Those shops are owned by people whom you interact with vs dealers are businesses who cross off a checklist. Prices will vary but typically about \$300 to look over a car, lift it, and give you a report. The bad news is in most cases you don't get a long paper with checkmarks but rather a verbal one from the shop owner.

**Here is the breakdown of what a PPI is good for:**

- **Visual and basic function inspection:** In most cases, you won't be near the car you are buying and therefore cannot rely on your own instinct or inspection and will have to trust that to the PPI. Making sure that the car is as described both externally and internally is key. Also being able to tell if the car has had paintwork regardless of what [CarFax](#) says is also key to the process. Knowing if bumpers have been repaired, repainted, or adjusted, as well as a full report of the interior leather, trim, or anything that pictures won't really catch. In a lot of exotics there are many buttons that end up being nasty and sticky overtime due to chemicals used in abrasive cleaning products. A few of these buttons add up to thousands of dollars and may or may not make a great deal into a nightmare. Also a big tip is to make sure that the person uses all buttons no matter their functions to ensure they are working.
- **Leaks and cracks:** Leaks are easy to conceal as most dealers can clean them when inspecting the cars themselves when getting them on the lot. While that's a problem, many dealers don't even inspect the cars they sell (sad but true) so they end up leaving cars on the lot with leaking hoses, oil pan gaskets, shocks, steering racks, etc. In some cases, dealers just don't know what to look for as they sell all types of cars and not just specialty marqueses. Look for leaks in main area like steering racks, shocks, or transmission cases. Also look for cracks in cars over 4 years of age in the bushings and tires. Those rubber pieces can get dry rotted and show signs of bad cracks if not used often or used in poor weather conditions. Even when not driven in snow, cars suffer from the salt on the roads for weeks to follow storms. Look for rust as well in those cases.
- **Measures:** Clutch life, brake rotors and pads, as well as tires all are wear and tear items and while in normal cars doesn't matter much, on an exotic you could be looking at over \$10,000 to repair. Most tires on exotics are \$300-500 a piece and each rotor if steel is over \$600 a side, ceramic brake rotors can be as high as \$5,000 per side. Clutches on the other hand can run up to \$15,000 on some exotics, which can completely change a great deal into the worst deal. Being



aware of how much each of these items have left will help you make a better financial decision about the deal you are about to make on a car.

DON'T SKIMP ON THE PPI. NO MATTER WHAT!!!

## Financing the Car

Unfortunately you won't see ads for 0% financing on the latest Ferrari or Lamborghini. Usually dealerships will still charge you 4 – 6% to help get you a loan to buy one, which isn't worth keeping your cash unless you can truly make much more than 6% on your portfolio.

There is, however, a misconception that financing exotic cars is about finding a specific lender; one that is willing. While most lenders won't let you apply online as they don't have all the exotic cars in their automated database, it doesn't mean they won't finance them.

That said, financing an exotic car is pretty simple, pain free, cheap, and can be extended in most cases to 84 months while keeping rates low. Before you ask why would you want to finance a car for 84 month, then perhaps you may want to learn why that is exactly what you want to do. The benefits are simple:

- Low payments to free up some cash flow
- Since you won't pay any money on actually driving the car, there is no need to pay yourself in advance.

How can you get 2% financing on an older exotic like a 2006 Lamborghini Gallardo or 2009 Audi R8?

You simply have to find a credit union like [PenFed](#) (\$15 donation needed to join) that offers rates up to 84 months and rates for as low as 1.49% (depending on market.) You can even extend your loan once you've proven to be able to make payments.

Or you can use [Digital Federal Credit Union](#) which offers digital loan products as low as 1.74% and up to 84 months.

The reality is that many credit unions will offer such rates or better and as long as 84 months, especially to credit worthy customers. All you have to really do is apply, have a credit score above 700, and then simply wait for them to give you terms of the loan which are usually lower than what you expect.

For example, they will tell you that they can only go up to 36 month on a 2006 but all you have to do is call them and speak with a supervisor in the loan department. Simply state that the car you are looking at has very low miles for its age and therefore you needed an exception for longer terms. In most cases, they will extend loans above

\$80,000 to 72-84 months, especially if you are using our system and buying your car at 70% of its actual market blue or black book value.

Since the bank has nothing to lose, it will usually approve the process without making it too difficult if you actually have the score and the car is the right value.

For those of you who are self-employed, be cautious that banks will want 2-3 years of tax returns and same with dealerships. The best practice for the self-employed with credit scores above the 720 range is to state that you work for an organization with a title other than CEO.

That said, you may be required to provide your latest pay stub at most rather than 3 years of tax returns. Its faster, easier, and if you are a start-up and list your net revenue in a manner that helps with your taxes, then you won't have issues with people telling you what you can or can't afford.

No matter how much cash you have on hand, it is simply unwise to part with it when it comes to a car thus reducing the need for a heavy down payment. There are much better alternatives out there to negotiating your exotic car.

Many banks are offering rates as low as 4% on loan as long as 96 months. Although we recommend getting a term loan for 84 months (7 Years), especially since the rate remains unbeatably low and the payments do not damage your cash flow. Historically, you will not keep the car more than one to two years and, therefore, the seven years does not really matter as owning it outright makes no difference when driving it.

**Example:** *A \$50,000 car for 84 months would cost you no more than \$670 a month with no money down which is less than the lease on a new base model Range Rover Sport.*

Now quickly think of all the sophisticated cars you can purchase for under \$50,000. (I.e., Maserati's, High Line AMG models, BMW M6, and many awesome Porsche models).

## Maintenance and Cost of Ownership

While the cost of ownership varies based on the make and model of the cars selected, here is a breakdown of the basic things every exotic will need at some point or another in its life and what you can expect to pay.

- **Oil changes yearly:** Most exotics take fully synthetic oil and require changing every 5-10K miles (or sooner) which, in most cases, means once a year. Most dealerships charge anywhere from \$500 – \$1000 for basic annual services when it comes to a simple oil change and simple inspection. You can find good service oil change at an independent shop for \$299 – \$399 and that should suffice for the year.
- **Brake flush:** Every 2 years a cheap \$150 brake flush service at an independent shop that will help prevent major issues in the future.

- **Alignment:** Find a local alignment center that has a flat rack, so your local Midas or Tire Kingdom will not do. I highly recommend this as exotics have very aggressive suspension settings and must check alignment every 2 years.

Owning an exotic doesn't have to cost a lot of money, you simply have to be smart about it and not just go to any location. As indicated in my video, find a good independent shop (perhaps the same one you used for PPI) that can help you understand not only the car, but will be honest with you about what is really needed.

Dealers on the other hand are anxious to fix every little thing which is ok, but ends up putting big dents in your pocket over time, without mentioning that the cost of repairs is 4 times as much.

A good example is with Maserati. I was quoted over \$6,200 to replace all pads and rotors for my Quattroporte while my car was under warranty. I was able to get the same repair for \$1,700 done by buying parts at a performance shop and then taking them to my local indie shop for install. Results are better brakes at a fraction of the costs.

Outside of maintenance, basic necessities like insurance and parking are other things to come into play.

Insurance can be expensive if you have a bad record and in most cases discount carriers like [Geico](#) won't even insure perfect drivers. So you'll be forced to move your business to a better carrier like [Progressive](#) or [State Farm](#), which isn't unreasonable but won't be cheap like Geico. Expect this if you are someone who doesn't spend much on insurance currently. Check with your office before buying the car, not after.

Parking is another major cost depending on where you live. Don't expect to be a cheap parking guy driving a Ferrari. Remember your car is an investment and in most cases you don't want the valet to curb your wheels or mess up your leather. You'll want to park your car in front of the restaurant or club.

Expect to lose \$40 – \$100 in parking each time you do that which at first isn't much but overtime can add up. In due time, you learn when it is best to drive your exotic vs a normal car, but it's a cost that adds up quick.

## Pricing Your Car

The exit is probably the easiest portion, yet the one that requires the most patience. Exiting needs to be about timing, since we selected specialty vehicles, which are more-or-less in demand based on market, location, and season.

You do need to constantly keep an eye on what specific cars are selling for, and how quickly they are selling. Using the same tools you used to find the car, you must gauge the market and set a sale price for yourself (the lowest you will dispose of the car within a time frame).

For example, within 6 months the Jaguar XJR we bought would sell for approximately \$17,000. Therefore, you start at \$22,000 and work down until you get closer to 6 months lowering your price month after month (dealer strategy). The longer you keep a car, the more risks you undertake, thus lowering the price.

Once you have selected a price, simply list your car on all specialty car forums to eBay Motors, car classified websites, and including your local Craigslist.

The listing needs to be full of information coupled with high quality pictures. Pictures sell the car, so ask one of your friends with a good quality camera to come and shoot your car on a nice backdrop. Then use those pictures, as they will make your car look its best and bring out its features.

We cannot stress how many times we have overlooked a car and moved on due to what its condition seemed through the pictures. Take detailed pictures of interior, exterior, engine and special features. The idea with having more information in your ad is to save you time from having folks email or call you regarding the mileage, or ask if it has been in an accident. Detailed listing and detailed pics help create serious inquiries only.

This strategy also weeds out phony individuals, which just want to find out your lowest price and move on. Listing anything on the Internet will attract trolls and people wanting to lowball you with weak offers. These folks are out there in full force and should be ignored. Save your energy and do not respond or get into battles of educating them.

To price a car correctly, do not focus on what you want to get for the car but rather what the car is worth to the buyers you are listing it at.

- Look on [eBay](#), [AutoTrader](#), Forums and see what other who are selling similar year cars, with similar mileages are selling them for. Find comparable cars in terms of history, colors and options (don't be too picky on options), but be aware of what is selling for what out there and also within 100 miles of you.
- Based on how much more desirable or less desirable your car is, adjust your price to be aggressive to buyers. For example, price your car the same as others but with many more options or price your car slightly lower as the color isn't as desirable as other for sale. Keep an eye on other cars that do sell and what price they end up selling for to constantly adjust your pricing to be current.
- Price slightly higher than you'd normally would sell for at any time so that your willingness to negotiate is there. Most people feel better getting a good deal because they got something off then buying a great priced car at full value. Perceived value is king.

## **How Dealerships Value Your Car**

The dealership would offer a cash value quote to you based on the current obtainable auction sales. The dealership does this to protect itself from ever taking a loss on a car. By having the auction as a last resort to make up his/her cost of the purchase if the car does not sell within 60 days.

These values are looked up through access of major car auction house records, such as Manheim, which are accessible to dealerships only. The listing will include the average sale from the past 60 days, and the most expensive and least expensive of the cars sold.

These numbers are highly volatile due to market conditions, volume of cars sold and condition of cars. Since volume is such an issue as it truly throws off numbers, this becomes as slim as it gets for those specialty cars, as not many end up at auctions due to enthusiasts selecting them and not passing them on.

If they do end up at auctions, the volume is much less; the numbers are highly inaccurate, and not really reflective of the market.

The economy holds a very heavy weight on these figures as well. The demand for such cars might be down due to the stock market or real estate markets keeping buyers from moving on from their desired cars.

## **Best Places to Sell Your Car**

The following resources below are our suggestions for listing your car for sale. Some of these places do incur a small listing fee but almost all forums are free to list your car (although they do require you to be a regular member first).

### **Local Classifieds:**

[Craigslist](#)

### **Car Classifieds:**

[AutoTrader](#)

[Cars.com](#)

[eBay Motors](#)

### **Forums:**

#### **Aston Martin**

- [Aston Martin Life](#)
- [Aston Martin Owners Club](#)

#### **Audi**

- [Audizine](#)

## **Audi R8**

- [R8 Talk](#)

## **BMW M3/M4**

- [Bimmer Post](#)
- [M3 Post](#)

## **BMW M5**

- [M5 Board](#)
- [M5 Post](#)

## **Corvette Z06/ZR1**

- [Corvette Forums](#)
- [Digital Corvettes](#)

## **Dodge Viper**

- [Viper Alley](#)
- [Viper Club of America](#)

## **Ferrari**

- [Ferrari Chat](#)

## **Ford GT**

- [Ford GT Forum](#)

## **Lamborghini**

- [Lamborghini Talk](#)
- [Lambo Power](#)

## **Jaguar**

- [Jaguar Forums](#)

## **Maserati**

- [Maserati Life](#)

## **McLaren**

- [McLaren Life](#)

## **Mercedes-Benz**

- [MB World](#)

## **Nissan GTR**

- [GTR Life](#)

## **Porsche**



- [Rennist](#)
- [6SpeedOnline](#)
- [Pelican Parts](#)

### **Rolls Royce**

- [Rolls Royce Forums](#)

### **Tesla**

- [Tesla Motors Club](#)
- [Tesla Forum](#)

### **Social:**

[Facebook Groups](#)

## **The Business Element**

Here we can start talking about how you can start the process on making sure your hobby turns into a business. Now keep in mind that there is quite a bit of technicality that goes into this and requires you to really ensure that it is a fit for you and your business before moving forward. Consult your financial analyst or advisor before moving on to the next step.

When most feel that a business can be started from a basement, it is highly inaccurate and not the way to make this particular method work. There is only one type of business that will work with this method.

An LLC is also known as a Limited Liability Corporation. It is an entity of its own. Meaning it is separated from its owner unlike the sole proprietorship, which simply combines a business and person as one entity. An LLC limits the liability of a person(s) involved in the business and its assets are clearly separated from its owner(s).

Once your business has been initiated, simply ensure that you have sufficient funds into the business making it possible for the purchase of an exotic car. In other words, owning a business that is funded by \$500 in cash will simply not add up when deducting a \$100,000 vehicle and will immediately raise a red flag. The relevance of your business in cash form, as well as on paper, must make logical sense.

### **Why a “Shell” Company is a Huge Risk**

Numerous individuals each year compromise their financial stability by beginning “shell” companies as means to create tax write-offs. The IRS has specific ways of identifying such companies and makes it a top priority to audit them. It is of maximum importance to not go forward with such, as the IRS can go back as five years when auditing a business, creating a very large sum of monies owed to them if you are found at fault. Make sure that the business you form is genuine and being operated properly with

factual goals and growth to demonstrate that your efforts have been successful in order to benefit from these benefits.

## Leveraging Cars for Business

An LLC can be setup under two different tax schedules:

**Schedule C:** Profit or loss from a business is a report that is part of an individual income tax report on [IRS Form 1040](#). Schedule C shows the income of the business for the tax year and deductible expenses, with the resulting with net income/loss (net profit or loss) of the business. The net profit (loss) from line 31 of the Schedule C is entered into several other personal income tax forms:

*Line 12 of Form 1020 determines personal income tax liability for any profit or reduction in personal income tax from any loss.*

**Schedule K-1:** Used to report a beneficiary's share of income, deductions, credits, and other items from pass-through entities. These generally include limited partnerships, S Corporations, income trusts, and limited liability companies. U.S. income tax law requires a pass-through entity, such as a Master Limited Partnership (MLP) Schedule K-1 to each unit holder as a record of that unit holder's share of the partnerships income.

For example, if you had an interest in Company XYZ Partnership and received \$1,000 of income from the partnership last year, your Schedule K-1 would reflect that income and you would use this form to prepare your personal tax return.

Schedule C returns are typically the most audited forms of business tax returns and in fact twelve times more likely to get audited than a Schedule K-1. A Schedule C is simply more often created by individuals seeking tax deductions and for shell companies making the IRS pay very close attention to Schedule C businesses in their first three years, especially when large items are being depreciated like a hot car!

### The Relation of Your Business to Your Car

When setting up your business, keep in mind that you should not set up a shell business, but rather a real business. Shell companies are quickly detected and will cost you more than you think, and this is without mentioning that they are illegal. Most of you probably already own a business. If not, have always had an idea of a business you had wanted to start yet never did. Now you need two things for this business to work out with this method:

- It needs to be an LLC with a [Schedule K-1](#), which is not too expensive to set up. Although it will cost you yearly, as you will need an accountant or tax service to do your taxes.

- Your business needs to have relevance. This might seem more difficult, but honestly it really isn't. You see, the IRS cannot tell you how to run your business, how *not* to run your business, or how the marketing campaigns should be set up behind your business. Your idea simply has to make sense.

An example would be if you owned a performance part shop or an online performance part shop which you might need an exotic car displaying those specific parts. Another example would be if you owned a car website that hosted such projects to show the mods and as a result sell parts.

There can be a million different reasons why you need an exotic car. It simply has to make sense to you and you should not look into it too hard. This meaning, do not give yourself a million reasons why they would question it, but rather one good answer to prove your point.

**Bad Example:** *Owning a clothing store is irrelevant; owning a fishing supply store is irrelevant, etc.*

**Good Example:** *Owning an exotic car website; owning a car shop; owning a luxury lifestyle company, etc.*

## Business Asset vs Business Use

There is a difference between what you may distinguish as business use, which is the foundation of deducting miles used for it and the percentage of ownership based on the usage of the vehicle for the business. However, in this case you need to think about the exotic car as being used strictly for your business, and the write-off under the business asset rather than business use.

This makes the vehicle 100% usable under the organization and enables all types of write-offs, for example, depreciation in full as well as additional tuning and maintenance items.

Years ago, the IRS could simply audit and ask you to prove why X and Y are being applied in your business. However, a few years ago things changed for the better for those of us on the other side of the equation. They now have to [prove beyond doubt](#) that what you are doing does not make sense in order for you to have to justify it. In other words, all you need is an exceptional accountant that is not afraid to navigate the grey, which is there for a reason.

### The Tax Write-Off

Now that you have attained the right car at the right price, the time has come to make use of that business account and understand where taxes play a major role on how you can take your own money back.

I mentioned earlier the real difference between attaining more money and just learning to keep more in your pocket. If you make a \$100,000 per year and are single, then you are most likely giving away an average of 20% if you own at least one property and have one dependent. Now we can lower that to 4-7%, keeping that extra \$13,000+ in your pocket.

Most will know conventional taxes, which means that they believe that the best way to expense the car is through its shared mileage divided between work and play. Most will write-off the miles, maintenance, and other small expenses that a car comes with, at a percentage of their use giving them very little back. Others will write-off leases and maintenance, giving them a larger chunk, but costing them more upfront.

I recommend something much different. I convert the exotic car into a business asset, meaning the car is owned by the business as long as it is owned.

### **Converting Personal to Business Assets**

According to the IRS, an item may be converted at any given time from personal to business use at its reasonable cash value at the time of conversion. This meaning that you purchased a car for \$30,000 and convert it the day after you bought it. You can convert it for whichever cars that are sold for a reasonable price.

And so, all you technically have to do is research on two to three websites, what the [Blue Book Value](#) is on that day, and print that sheet and leave it in your tax records in case someone questions your numbers. The purchaser or insurer is irrelevant, yet the usage must be 100% business use.

It cannot be that simple?

Yes it is. Conversions of personal assets to business assets are that easy. Careful documentation and reasoning is all that must be kept.

**For example:** *If someone questions why you purchased a car and immediately converted it instead of buying it under a business, could be an explanation related to the lack of credit and ability to purchase from the business side requiring you to do this and contribute it to your business.*

Here is the definition directly from the IRS: [IRS: REG-138499-02](#).

## **Business Depreciation**

At the end of the year, you are required to itemize this business vehicle and [depreciate it according to the correct schedule](#), which in this case is five years. This way you cannot claim the miles driven, but can claim taxes, maintenance, modifications, and any other expenses, like gas.

The mileage does not get deducted, though you will earn a significant deduction when you depreciate the car. The write-off is based on five equal years, in which each year it is about \$20,000 worth of write-off on a \$100,000 car (i.e., Lamborghini Gallardo)

On a less expensive car you would simply divide the converted value into five and would obtain your write-off dollar amount. This is where you make the biggest chunk of your 13% of unclaimed taxes back.

Remember why you did not buy it cash?

Well even better, as you get to write-off the interest on the loan for the duration that you are making payments. That's another tax write-off.

### **The Profit or Loss**

Most believe at this point that based on the depreciation you will only pay the taxes later, as when you sell the car the value will be less than your sale price and will result in you being taxed on that amount.

### **WRONG!**

Once more here is another great loophole to the equation. The IRS only takes in consideration your purchase or converted price no matter how long ago it was purchased. In other words, you buy a car for \$100,000 and depreciate it for two years, meaning on the books its value is \$60,000, yet end up selling it for \$90,000; you actually get an additional tax write-off of \$10,000 for a loss on the good.

Not only did you benefit from its depreciation, but also you benefited from its sale.

### **Comparable Purchases**

There is one catch to the entire equation. If you do not actually buy another car when you sell the existing one in the same year, you end up being taxed on the full amount, as the sale becomes profit for the business.

OUCH! But there is a way out of this too...

It is called a "*like kind*" exchange and simply states that you traded one good for another similar good and are not in need of reporting it as income as you simply reallocated the funds into something of similar value even if slightly higher or lower in price.

Refer to: [IRS Publication 551](#).

## **The Exit Strategy**

As discussed previously, there needs to be a “*like kind*” exchange in order to fully benefit from this method. We recommend keeping an eye on the market at all times for certain vehicles you are contemplating for the next three to four months before you are ready to make a purchase. With this, it gives you adequate time to sell, as well as pounce on the right deal.

It is important that you do not keep a car longer than one to one and half years, as you might be faced with a stronger depreciated value. Should you choose to take a break, try to do so early in the year so that you may purchase an exotic car later in the year and retain your tax benefits for that current year.

### **Exit Strategy**

Keep in mind that you will need some time period when deciding to sell your car, as exotics can sometimes take much longer to sell than ordinary cars. There will also be times when it is not wise to sell, nevertheless held based on the market and economic conditions.

## **Case Studies**

Now that you understand, let's move into how it all looks on paper and why it makes sense using real life examples. Keep in mind that these figures are not 100% accurate, but rather a close demonstration of what the perfect picture looks like giving you an idea of the equation rather than a dollar for dollar explanation.

### **Lamborghini Gallardo:**

**Purchase price in January 2010:** \$87,000 with 6-speed manual and less than 10,000 miles

**Down payment:** \$10,000

**Total initial cost:** \$87,000 + \$3K in fees and taxes = \$90,000 – \$10,000 Down Payment

**Financing:** \$80,000 financed. Payment over 84 months at 4% or \$1093 a month

**Converted value from personal to business asset in February 2010:** \$100,000

**Yearly depreciation:** \$25,000

**Tax advantage based on \$100,000 annual income:** Gain \$7,500

**Wheels, exhaust, and intake on forums:** Loss \$3000



**Tax advantage by writing off modifications as unreimbursed car expenses used for marketing purposes:** Gain \$500

**Car sold on eBay for \$93,000 on July 2010:** Gain \$3,000 net over purchase price

**Contract for sale broken down:** \$85,000 car with a \$5,000 loss based on taxes and tags

**Taxes write off:** Gain ~\$1000 for the loss to me

**Gains Recap:**

- \$7,500 for the write off of the depreciation
- \$500 for the write off of the parts I bought
- \$3,000 for Profit of the car itself at selling time
- \$1,000 for the write off of the \$5,000 loss at sale

**Total Gains:** \$12,000

**Loss:** \$3,000 Spent in parts

**Cost of driving:** \$12,000 – \$3,000 = \$9,000

**Summary:** Paid an average of \$1,500 a month to drive a Lamborghini Gallardo for 6 months.

**Aston Martin Vantage V8:**

**Purchase price in April 2010:** \$71,000 with 7K miles, 6-speed, well optioned and existing warranty

**Down payment:** \$11,000

**Financing:** \$60,000 at 3.7% over 84 months or \$811 a month

**Converted value in May 2010:** \$75,000

**Yearly depreciation:** \$15,000

**Tax advantage based on \$100,000 income:** Gain \$4,000

**Wheels, Carbon Fiber diffuser, suspension:** Loss \$11,500

**Tax advantage based on parts not being reimbursed marketing usage:** Gain \$2,000

**Car sold on eBay:** for \$82,000 with 25K miles and modifications

**Car sold for:** \$69,000 on paper

**Modifications sold for:** \$13,000 to the same buyer but on a separate invoice.

**Tax write-off based on losses of \$3,000 on paper:** Gain \$500

**Gains Recap:**

- \$4,000 tax write off gains for Depreciation of car
- \$2,000 tax write off for not being reimbursed for buying parts
- \$500 tax write off gains on the loss at the point of sale
- \$6,500 total benefit of driving this Aston for 12 months.

**Summary:** I was able to earn about \$550 for driving this car each month for about a year.

## Conclusion

I hope you that you enjoyed this crash course on how to buy, sell, and trade luxury and exotic cars for fun and profit. I, myself, have done this countless times to the tune of over 60 cars in the last several years. All of my cars are private case studies as shown on [Exotic Car Hacks](#), where I breakdown each purchase and share with you how much profit and loss down to the cent.

I am not a dealership, nor am I a billionaire of any sort. I am simply a car enthusiast who enjoys the experience of different cars. All of my strategies can be done by really just about anyone with 1) the desire and patience to learn the strategies, 2) good credit, 3) a decent job, and 4) the willingness to take risks.

Inside Exotic Car Hacks, not only do I share these case studies, I also go much more in-depth in a 4 Hour 'watch me over the shoulder' Video Course where you can follow me as I breakdown each step in detail.

Members also get access all my resources and hook-ups that include approved independent car shops, financing and credit options, and my newsletter of hand picked car deals every week.

If you want to learn how it's cheaper to own an exotic car like a Lamborghini or Ferrari for less than the cost of a Honda Accord, join me at [ExoticCarHacks.com](#).

**Use coupon code "EB60" for 60% off your Insider Membership.**

- Pejman Ghadimi  
Founder of Exotic Car Hacks