

Buying a vehicle? What you need to know about financing.

When buying a vehicle, whether brand-new or used, your chances of needing financial support from a financial institution are big.

The most common method to pay for vehicles in South Africa is through monthly instalments. That means your vehicle is financed through a vehicle credit provider like, a bank, and you pay the monthly instalment directly to that bank.

It is possible to make use of the vehicle brand's own financial option through the dealership – for example: you buy a BMW and they offer you a finance structure plan at the dealership through BMW Finance.

Other finance options to choose from include the following:

- Cash
- Instalment with residual (balloon payment)
- Lease

There are certain documents required when applying for finance to purchase a vehicle. Make sure your documents are updated and verified where needed. Documents to have with you when applying include your valid ID and driver's licence, proof of residence and proof of income. Some vehicle credit providers could insist on other documents as well – it depends on their credit approval systems and your individual profile.

The interest rate is a big role-player in paying off debt and the same goes for financing your vehicle. Some credit providers could offer you the chance to choose between a fixed rate or a linked rate. If the two rates are close to one another, it will make sense to choose the fixed rates. But if the difference between the two are a lot, rather go for the linked rate. That means your monthly instalment amount will fluctuate with the increase or decrease of the country's repo rates.

You can choose a finance option to suit your budget, current financial situation and even possible future financial situation, but make sure you do your homework before you purchase a vehicle. Don't be afraid to shop around and get a deal that is best for you.