

## **Buying a late model used Lexus LS400**

Many of these guidelines are generally applicable to used car purchases. They are based on twenty years of practical experience.

This piece is all about reducing risk. Sure there are five owner cars from the Bronx with no records sold through a dealer that are just fine. There are also smokers who have consumed two packs a day for forty years and die of natural causes. But neither is consistent with low risk.

Follow the advice here to mitigate your used car purchase risk.

### **My 2000 Lexus LS400:**

- Before you conclude that what follows is pie in the sky, let me summarize my buying experience of a five years old LS200.
- I wanted:
  1. Diamond white pearl exterior.
  2. Must be last year made – best of the breed – 2000.
  3. Standard suspension – no unreliable and expensive to repair air suspension.
  4. No Lexus navigation system – increasingly costly to fix as it becomes rapidly obsolete, and I prefer to keep my eyes on the road.
  5. No chrome wheels. Just not my thing.
  6. No Nakamichi sound – Nakamichi went bankrupt and parts will become increasingly hard to find. Pioneer, the alternative, is solvent.
  7. Perfect service records and no more than two owners.
  8. Good tires.
  9. A fastidious, private party seller.
  10. A California car – dry climate means no corrosion.
  11. Heated seats.
  12. No fleet use or unusual mileage history.
- Realizing that a buyer in a hurry is a stupid buyer, I was prepared to take my time finding the right car.
- I searched for nine months. Throughout that period, as I value my time, I only drove two cars, though I ran lots of Carfax reports and spent quite some time on the phone with sellers. One was perfect. The car was kept in a carpeted, heated garage. The only thing missing from my 'wish list' were the heated seats. I live in coastal California, so that's bearable. The 90,000 mile service, including a new timing belt and water pump, was done at 60,000 miles. A \$1200 value. It took two weeks to complete the price negotiation. I got a 60,000 mile, year 2000 car with perfect Lexus dealer service records which met all my other dictates. I paid a fair price – there are no bargains in cars or real estate.

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### **Model year changes 1995-2000:**

The late LS400 models did not have many changes. Clearly, if power without compromising fuel efficiency is the goal, 1998 or later are the years to get.

- 1995 – The second generation LS400 was introduced – wheelbase stretched by 1.4” to 112.2”, 10 hp more at 260 hp, overall length unchanged at 196.7”, 2.6” more legroom for back seat passengers, 0.5 cu.ft. increase in trunk space, dual airbags.
- 1996 – No changes.
- 1997 – Side air bags added to front seats.
- 1998 – Variable valve timing and 30 hp more for a total of 290 hp, 5 speed automatic transmission replaced 4 speed, Vehicle Stability Control added (anti-skid).
- 1999 – Daytime running lights, wood and leather steering wheel and shift knob, reverse-down outside mirrors.
- 2000 – Brake Assist, rear child-seat anchors. The last year made.

### **Assumptions:**

- You want to be proud of your ‘new’ used car.
- You want to own it for a long time – 5 years at least.
- You are patient and willing to wait for the right car.

### **Base Rules:**

- Remember there is *always* another car. Lexus outsells Mercedes in America – what does that say about the number of used cars out there.
- You do *not* have to get the car this week.
- You can always walk away, especially if you recall the two points above.
- You cannot over prepare.
- If you are going to do your own work, buy the Factory Manuals (two Chassis, one Parts Book, one Electrical) in advance and study them carefully. You will learn legions of what is standard and what is not. The modest investment of \$300 pays back when you do your first repair. And you are going to have to buy them anyway.
- Read the various Lexus sites on the web – lots of noise, it’s true, but lots of gems too, and you will quickly learn to distinguish mechanics from noisemakers.
- Do not buy from a dealer.
- Do not buy on eBay.

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### **What your used car must have:**

- Service records from new. They are no guarantees that these are complete but their availability correlates with a caring previous owner.
- Regular oil changes – dino or synthetic makes no difference. Toyota recommends oil changes every 5,000 miles for short trip drivers, 7,500 for others. The word ‘synthetic’ appears nowhere in the Owner’s or Repair Manuals.
- No accidents or body damage, inside or out. Body work is far, far more costly than engine or chassis work, and it’s very hard to match metallic paint colors with a selective respray.
- One or two prior owners are better than seven or eight. If the car has enjoyed long periods of ownership it’s likely to be a good one.
- A general sense of caring – no curb rashed wheels, no filthy undercarriage, a clean engine compartment and trunk, no smoking. Whether you like to smoke or not is irrelevant. Statistics confirm that smokers have a lower standard of care in all things – whether their own health or for those around them. And if you do not like to smoke, don’t fool yourself. It is impossible to get rid of the odor. Walk away from the car.
- A clean Carfax – sign up for a thirty day subscription to Carfax.com and run the VIN of any car you are interested in. You will be amazed how many salvage titles are out there. The best \$30 you can spend.
- While the Lexus LS400 is well proofed against corrosion, cars from warm, dry climates such as AZ or southern CA, are a lower risk than ones from the salted, snow bound roads of the northwest. Florida is probably the worst choice of all – humid, hurricane bound, famously dishonest. Competes with the deep south in that regard except, unlike the south, its residents have lots of money. The cost of an airfare to check out the perfect car is a modest investment over a ten year or more ownership period. Transporting the right car cross-country is cheap. Or get a trusted, local, unconflicted source (no, not the garage that has maintained the car) to check it for you.
- A private party seller. This is the difficult one. Many Lexus owners, based on reviews of cars available at Cars.com – seem to prefer to sell to a dealer rather than sell privately. Private sellers, based on a recent US-wide check of Cars.com, accounted for just 11% of the 374 cars available in the 1996-2000 range, and some of those were dealers fraudulently passing themselves off as individuals. This is the ‘fat rich guy syndrome’ where the original owner is trading his LS400 on a new LS430 or similar. Why a private seller? Because he is not skilled in the wiles/lies/half-truths of a professional salesman at a dealer. Because he does not have massive legal backing when you find out you have been cheated. Because he is smart and does not want to get ripped off by dealer trade-in pricing. Because his price will be lower than the dealer’s. Because he has no corporation or power of agency to hide behind.

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- Avoid cars shown on Carfax as having 'fleet use' registrations. These are frequently communal use cars owned by corporations. If you don't own it, why would you care for it?
- Leased cars are good candidates. Leases typically put mileage limits on use which, if exceeded, attract a penalty to the lessee, which is a good thing. Fewer miles on the car. Because lessees are financially inept and think that ownership costs are lower through leasing, they are pretty much forced to trade in the car after two to three years. The problem is nearly all of these cars end up at dealers as lessees seldom have the capital to buy out the lease, the buy out price is not attractive, and their best bet is just to return the car and lease another.
- Very low mileage 'garage queens' are a bad bet. Premium priced, their rubber rots prematurely owing to the lack of exercise enjoyed by a regularly driven vehicle. Avoid. Typical mileage is 12-15,000 miles per year. Look for fairly constant mileage patterns in the Carfax record to confirm the car has not had unusual use patterns.
- Cars from hurricane and tornado states – that means the south east of the US - are a high risk. They may have been refurbished, skirted salvage title registration and are a time bomb waiting to go off. Avoid.
- 90% of your preparatory work should be done before so much as touching the car – Carfax VIN check, telephone interviews, etc. will narrow down the right car for you and help you use your time effectively.
- Buy the latest model you can afford. While the LS400 was remarkably trouble free throughout its life, a later model will usually be lower mileage and have the latest enhancements – more power, superior braking, more airbags, etc.

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### **What you should avoid:**

- Never, never, never buy from a dealer. The salesman does his sales thing 2000 hours a year. This is *hard core* sales. You do not stand a chance in a negotiation, no matter how smart you think you are. A dealer adds no value to the transaction. That bears repeating. A dealer adds no value to the transaction. Think about it. Plus you have the hassle of game playing. “Let me check with the manager”, “Do you really want this car”, “What do we need to close this deal”, “I’m robbing myself”, and on and on. It gets old fast. Once again, what is your time worth?
- Never buy on eBay. Do your research as to why. I’m not about to get sued by eBay’s lawyers by telling you in print.
- Forget dealer warranties. Not worth the paper they are written on. If you accept that the length of sales contracts increases as the integrity of sellers falls (think dealer car sales contracts, real estate sales agreements, insurance contracts, anything to do with lawyers in other words) you are on to something. If you feel you need a warranty ask yourself three questions:
  1. Which is the most reliable car on the road? (Hint: LS400)
  2. What are my likely repair costs over the warranty period compared with the warranty premiums? If I were in the insurance business I would love to sell Lexus used car warranties, as the claim rate will be the lowest in the country while I can justify top dollar premium pricing on a luxury car.
  3. Ever tried to collect on a warranty as you work your way through the loopholes and exclusions? You are up against major legal power here. What is your time worth and what are your chances of success?
- You must get a pre-purchase inspection. If the seller refuses, run, don’t walk, from the car. Cost \$100-\$200. Peace of mind – enormous. This is a ‘must ask’ question before you invest time in going to see and drive the car.

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### **It's a buyer's market – be prepared to negotiate:**

- While the LS400 is no gasoline guzzler, it's not going to trouble Japanese econoboxes in the fuel efficiency stakes either. At this time (Q4/2005) of rising oil prices and growing consumer paranoia, there has never been a better time to buy luxury car or, for that matter, an SUV. Many dealers will not even take SUVs in trade at this time! This translates into pricing power for the buyer.
- Don't let the seller quote Nada Used prices at you. Counter with Edmunds (the lowest – they tend to focus on harder used east coast cars) and Kelley Blue Book. And always use the Retail price, not the Dealer price. Realize that all Blue Book prices still reflect \$2/gallon gasoline. So, they are all overstated for luxury cars, and understated for econoboxes.
- When pricing, never assume Excellent as the condition. Always start with Good. Very few cars aged five or more years are Excellent.

### **Leverage your pre-purchase inspection:**

- Take tire condition into account. Bring a depth caliper with you. Your hardware store sells them for under \$20. A good tire, like the Michelin MXV4, has a new tire tread depth of 0.31" (8mm). It's fully used up at 0.08" (2mm) if you drive in rain or snow. So a tire that's 50% used up has tread of 0.20". A set of four new Michelins runs some \$500. Figure that into your pricing based on the condition of the tires. If wear is uneven, add \$50 for a proper alignment (no, not the butcher with the rulers and calipers) on a Hunter Digital alignment machine plus, maybe, a new set of tires.
- Have your mechanic inspect the brake pads and discs during the pre-purchase inspection and make sure he reports their measurements back to you. Minimum brake pad thickness is 1mm, but you really want to change them before that as you can reuse the costly, sacrificial brake wear indicators located in the pads on the right front and rear. New front/rear discs are 28mm/16mm thick with wear limits of 26/15mm. Easy to change yourself but reckon on \$1000 for pads and discs at the local repair place. (Dimensions are for the 2000 model)
- Make sure your mechanic inspects the dust boots on the various suspension components and checks for clunks on turns. The ball joints which these cover wear with age, wear which is accelerated with a split rubber boot. Not expensive to change, but reckon on \$500+ on a suspension refreshing which will also require an alignment.

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### **Ask the tough questions and use walk away power:**

- Forget being embarrassed. You are not looking for a long term relationship with the seller. Ask the tough questions.
- “Why are you selling? Is there something wrong with the car?”. Watch his eyes.
- “Are these service records complete? I will be asking the Lexus dealer (or your mechanic) to run a complete record if I purchase the car and will be contacting you if I find something material is missing. I would like your written permission to have those records release to me, please.”. That will flush out ‘cleaned up’ records every time.
- Always ask the seller “What does this car need to make it perfect?”. In the case of private parties you will be amazed at the candor of the replies. (You can guess what a dealer salesman will say, obviously.)
- As a last question, when you have learned the seller’s body language, while staring hard into the his eyes ask the key question “Has this car ever been in an accident?”. Any rapid fluttering of the seller’s lids? If so, walk away. Chances are he’s a liar if he says “No”.
- Be prepared to use walk away power. It’s the single most powerful tool a buyer has in a used car negotiation. But be nice about it. “Let me leave you my card and if you change your mind I would be pleased to hear from you. I really like your car and would hope we can find some middle ground for agreement”.
- Always have a back-up to enhance your walk away power. “Well, there is one other car I’m looking at....”
- A car that has been on the market three or four weeks is stale. It’s either overpriced or has problems. If overpriced that works in your favor – make a realistic offer.

### **Finally, drive the car.**

- If you have done the preparatory work above and the vehicle has passed, chances are it will drive perfectly. But do note it’s the *last* thing you do.
- I repeat, there are no bargains in cars or real estate. The market is perfectly priced. If you think you are getting a bargain, there is something wrong. Be prepared to pay top dollar for the right car.