

DO YOU NEED **GAP INSURANCE?**

WHAT IS GAP INSURANCE?

GAP stands for Guaranteed Asset Protection. It covers the difference between the value of your car and the amount owed on your loan if it were involved in an accident. GAP insurance will pay that difference in the event you total your car.

WHY YOU MAY NEED GAP INSURANCE?

GAP policies are mandatory in most lease agreements, but getting one from a third party can still save you money.

If you lease a vehicle or buy with little money down, GAP insurance offers the most protection.

Comprehensive policies only pay out the value of the car - NOT the amount that's owed on your loan.



New cars lose 30% of their value during their first year and 50% in the first 3 years.

If you buy a car for \$25,000, its value is only \$18,000 after year one. And that is all an insurance company will pay out.

Even if you total your car, you're still responsible for the full amount of the loan.

After 3 years, your car is worth \$13,000 - leaving you with a "gap" of \$12,000.

HOW CAN YOU GET GAP INSURANCE?

GAP insurance is available from most dealers and from many private companies - including your credit union.

GAP costs can be included in vehicle lease/purchase, meaning they can be financed with the car.

Dealer prices of GAP insurance are generally higher - shopping around can save a bundle on premiums.

GAP policies are a one-time cost that scales with the value of the car - At Horizon the cost of a GAP policy is, **\$310.**



SOURCES:

<http://www.bankrate.com/finance/insurance/car-gap-insurance-is-it-right-for-you.aspx>
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