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**GE cautions consumers as car prices move into low gear**

Cars are more affordable today than 10 years ago, but GE Motor Division has cautioned consumers against racing into a purchase without careful financial planning.

Data compiled by Australian Automotive Intelligence, showed that in 1997 the average wage earner would need 40 weeks of work to cover the purchase price of a Commodore or Falcon, while in 2007, it would have taken only 30 weeks.

Consumers are benefiting from the combination of a strong Australian dollar, relatively low interest finance and a highly competitive dealer environment.

GE Motor Division Managing Director, Mr Greg O'Callaghan, said there had never been a better time to buy a car, but cautioned car buyers to consider their financial situation carefully.

"Cars are very appealing at the moment. Dealers are very competitive and many leisure and safety features that were once options, are now standard," said Mr O'Callaghan.

"We are also seeing more interest in car purchase as the housing market starts to plateau. People are considering postponing the next big house move, but still have excess funds they would like to spend.

"In this environment, it's very important to consider your medium term financial requirements and not get carried away with the many great deals offered in the market," he said.

"You need to consider potential interest rate rises and the impact this will have on your household budget in the next two to three years. It's always best to be conservative, rather than budgeting to today's capacity."

O'Callaghan also cautioned lenders on using the family's home mortgage to finance other major purchases, such as cars.

"The trend towards drawing down on mortgages to finance other major purchases is worrying," he said. "Using a 20 year commitment to finance a short term cost and a depreciating asset is a dangerous recipe," he said.

"The other problem with financing through mortgages is there is an increased likelihood of the household income being over-extended as it could circumvent the normal approval process for additional finance," he said.

"When we approve motor finance, we do not want the household income to be over-extended. It's not only bad business, but it can place tremendous emotional and financial hardship on the family" he said

The key to taking advantage of car affordability is to assess your financial position conservatively, both today, and with a plan for your medium term requirements.

There are currently 14.3 million cars in Australia and this is set to rise to 15.9 million cars this year according to the Australian Automotive Intelligence.

“Dealers are under tremendous pressure at the moment with profit margins extremely small, so car buyers will get great deals this year, but it’s important they finance their purchases keeping a level head,” said O’Callaghan.

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