Buying A Car: About This Activity Unit

This unit of study is designed to help prepare your students for the decisions they must make when buying a car, truck, or motorcycle. The activities cover all aspects of vehicle ownership including:

- How to make a good choice      - Financing your vehicle      - Maintaining your vehicle
- Buying vs leasing      - Insuring your vehicle      - And more

Each activity is self-contained so you may use them all or choose only those that best fit your lesson plans, time schedule, and students' abilities. A three page unit quiz is also included.

This teacher’s key contains only those pages that require specific answers and any accompanying pages needed to determine those answers. The page numbers in the teacher’s key correspond to the page numbers on the student masters.

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Buying A Car

Gary Benson’s Commute

To get from his apartment in DeKalb, Illinois to work in the suburbs each day is a 45 mile drive with some heavy traffic. Gary knows it will take about an hour each way. He’s been looking for a different vehicle on the internet and has found six he likes that he can see at dealers lots in the area. Explain what you think is good and bad about each of his choices.

**A new motorcycle for $8,995**

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**A 4 year old jeep with 45,689 miles for $14,995**

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**A Classic VW Beetle Convertible with 88,000 miles for $9,500**

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Name: ____________________________ Class: ____________________________ Period: __________
Gary is trying to estimate his monthly costs of owning each of the six vehicles. Calculate:

1. The cost of financing the vehicle.*
2. The monthly cost of gasoline.*
3. The monthly cost for insurance.*
4. The total monthly cost for loan payments, gasoline, and insurance.*

* Consider only the information given. Round to the nearest cent.

**New gas/electric hybrid for $21,499 that gets 62 miles per gallon.**

- Trade-in of $1,000 = $ __________
- Total Credit Cost after 60 months
- Sales tax (6.25%) of $ __________
- License and title of $ 78.00
- Amount Financed of $ __________
- 60 monthly payments of $ 413.13

- Monthly insurance cost based on an annual premium of $2,706
- Monthly gasoline cost (2,180 miles driven at $2.65 a gallon)
- Total of monthly loan payment + gasoline + insurance

**2 year old four cylinder pickup with 21,453 miles for $11,495 that gets 18 mpg**

- Trade-in of $1,000 = $ __________
- Total Credit Cost after 48 months
- Sales tax (6.25%) of $ __________
- License and title of $ 78.00
- Amount Financed of $ __________
- 48 monthly payments of $ 268.82

- Monthly insurance cost based on an annual premium of $3,050
- Monthly gasoline cost (2,180 miles driven at $2.65 a gallon)
- Total of monthly loan payment + gasoline + insurance

**3 year old SUV with 47,839 miles for $18,499 that gets 16 miles per gallon**

- Trade-in of $1,000 = $ __________
- Total Credit Cost after 48 months
- Sales tax (6.25%) of $ __________
- License and title of $ 78.00
- Amount Financed of $ __________
- 48 monthly payments of $ 447.11

- Monthly insurance cost based on an annual premium of $2,625
- Monthly gasoline cost (2,180 miles driven at $2.65 a gallon)
- Total of monthly loan payment + gasoline + insurance

Name: ___________________________ Class: ___________________ Period: ___
When you're deciding how much you can afford to spend on a vehicle, there are a lot of questions you should ask yourself:

- How much income do you have?
- Can you count on your income being steady?
- What other living expenses do you have to budget for?
- How much will it cost to own the vehicle?
  Monthly Payments
  Insurance
  Maintenance and repairs
  Gasoline
  Parking
  License and other vehicle taxes

- Is a vehicle just transportation to you or is it a status symbol?
- Do you need a certain type of vehicle?
  An economy car for commuting
  A pickup for work or hauling
  A van or SUV for a big family
- Are you willing to be in debt and are you able to get a loan?
- Do you want to buy or lease?
- How much disposable income do you want each month for having fun or buying things you just want?

Sharon is a sophomore at Midwest Community College where she is studying to be a paralegal. She is still living with her parents and plans to live with them at least one more year before moving out. She has been sharing the two family cars, but is ready to buy a car of her own.

Read each scenario and write questions you think she should ask herself.

Sharon has decided to save for a beater that she can get for a couple of thousand dollars. She plans on putting $175 a month from her part-time job in a savings account. In a year she’ll have $2,100. Then she can pay cash for a cheap used car.

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Sharon has decided to ask her parents to co-sign a three year, $9,000 loan on a good used car that she plans to drive until she is working full-time and can buy a new one.

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Sharon has decided to buy an inexpensive new car. She plans on getting a five year loan from her bank or financing from the dealer, whichever will charge the lowest interest rate and give her the best repayment terms. She is going to ask her parents to co-sign the loan.

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Name: ____________________________________    Class: _______________________  Period: ____
After looking at used cars, Sharon has decided to buy a new small car and her parents have agreed to co-sign the loan contract.

Use the line by line instructions on the following page to complete the worksheet below and calculate Sharon’s costs to finance the car.

**Purchase Worksheet**

1. Price .............................................. 14,799.00
2. Documentation Fee ...................... 40.00
3. LAH Premium .............................. 0.00
4. Sales Tax (5.75%) ......................... _______ (Total Cost)
5. License and Title ......................... 165.00 ________ (Total Cost)
6. Trade-In ........................................ 0.00
7. Down Payment ............................. 0.00
8. Rebate ........................................... 500.00 -________ (Total Down)
   ________ (Amount Financed)
9. Amount Financed ........................ ____
10. Term of the Loan .......................... 48 Months
11. Monthly Payments of ................. 367.61
12. Total of Payments ......................... ______
13. Total Credit Cost .......................... ______
14. True Annual Interest Rate ........... 7.0%
15. Finance Charge ............................ ______

What are the advantages of buying a new car rather than a used car?

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Name: ________________________    Class: _______________________  Period: ____