



EQUITABLE



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Cars and loans

Name _____

Date _____

Operating costs of a motor vehicle

Model year: _____

Make, size, model: _____

Fixed costs	
Depreciation: Purchase price \$ _____ ÷ estimated life _____ years	\$ _____
Annual interest on auto loan (if applicable)	\$ _____
Annual insurance costs	\$ _____
License, registration, taxes	\$ _____
Total fixed costs	\$ _____

Variable costs	
Gasoline: Estimated miles per year _____ ÷ miles per gallon _____	
x average price of \$ per gallon	\$ _____
Oil changes for the year	\$ _____
Tires	\$ _____
Maintenance, repairs	\$ _____
Parking and tolls	\$ _____
Total variable costs	\$ _____

Total fixed cost (from above)	\$ _____
Total variable cost (from above)	\$ _____
=	\$ _____
Miles per year ÷	\$ _____
Cost per mile =	\$ _____

Part 2...

Based on business visits, phone calls, advertisements and the internet, obtain information for the cost of (a) an oil change, (b) a tune-up, (c) new brakes, (d) tires.

Warranties and service contracts

**Find an example of a motor vehicle warranty and of a service contract.
Then, answer the following questions.**

1. What is the warranty for?

2. What type of warranty is it (as-is, implied, dealer, manufacturer's)?

3. List the basic terms of the warranty.

4. What is the service contract for?

5. List the basic terms of the service contract.

Shopping for a car loan

Amount of loan \$: _____

Directions: Pretend you have decided to purchase a new car. Select the model you would like and find out what it costs. Then, shop around for the best car loan terms. Try several different institutions, such as a bank, a credit union and a private moneylender.

	Institution 1	Institution 2	Institution 3	Institution 4
Financial institution				
APR				
Length of loan				
Monthly payment				
Total finance charge				
Total to be repaid				

When you have finished, look at your chart. Which loan would you take? What features make it more appealing than the others? Which institutions offered the best rates, and why do you think they did so?

Shopping for insurance

Minimum coverage required by state

Company 1

Agent _____

Address _____

Phone _____

Company 2

Agent _____

Address _____

Phone _____

	Amount of coverage	Premiums for company 1	Premiums for company 2
Bodily injury liability			
Property damage			
Personal injury protection (no-fault insurance states)			
Uninsured motorist			
Other			

Coverage you desire

	Amount of coverage	Premiums for company 1	Premiums for company 2
Bodily injury liability			
Medical			
Property damage			
Personal injury protection (no-fault insurance states)			
Uninsured motorist			
Collision – \$250 deductible			
Collision – \$500 deductible			
Towing and labor			
Other			

Which company best suits your needs?

How much would you spend?

Group activity 1

Manuel wants to buy a car. But before he goes shopping, he wants to know exactly how much he can afford to spend each month on owning, operating and maintaining a car.

Manuel's net monthly income is \$1,280. His fixed expenses are:

- \$350 for rent

His flexible monthly expenses are:

- \$75 for savings
- \$25 for utilities
- \$185 for food
- \$35 for transportation (bus fare)
- \$150 for tuition and books
- \$40 for entertainment
- \$20 for personal items
- \$29 for household items

If Manuel gets a car, he expects to spend about \$40 a month on gas and oil, and about \$20 on parking and bridge tolls.

Manuel needs to have car insurance. He has shopped around and expects that a car insurance premium for the type and year of car he wants will cost about \$225 a month.

Directions: Use the attached budget sheet and loan calculator (practicalmoneyskills.com/calculators) to complete the following chart and answer the following questions.

How much would you spend? (continued)

Car for \$6,000 (amount of loan: \$6,000)

APR: 10%
 Length of loan: 60 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

APR: 12%
 Length of loan: 60 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

APR: 14%
 Length of loan: 60 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

APR: 16%
 Length of loan: 60 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

Car for \$8,000 (amount of loan: \$8,000)

APR: 10%
 Length of loan: 60 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

APR: 12%
 Length of loan: 60 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

APR: 14%
 Length of loan: 60 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

APR: 16%
 Length of loan: 60 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

How much would you spend? (continued)

Car for \$10,000 (amount of loan: \$10,000)

APR: 10%
Length of loan: 60 months
Total cost of loan: _____
Monthly payment: _____

Total finance charge: _____

APR: 12%
Length of loan: 60 months
Total cost of loan: _____
Monthly payment: _____

Total finance charge: _____

APR: 14%
Length of loan: 60 months
Total cost of loan: _____
Monthly payment: _____

Total finance charge: _____

APR: 16%
Length of loan: 60 months
Total cost of loan: _____
Monthly payment: _____

Total finance charge: _____

1. Which car can Manuel afford?

2. What are the terms of the loan that would allow Manuel to buy a car and still stay within his budget?

3. Using the column “How you’d do it” on Manuel’s budget worksheet, figure how you would set up a budget if you had Manuel’s income and expenses.

4. What were the main differences between the budget you set up using Manuel’s income and expenses, and the budget provided?

How much would you spend? (continued)

Manuel's budget	Scenario	How you'd do it	Difference
Income			
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
Total income	\$	\$	\$
Fixed expenses			
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Installment payments			
Car loan payment	\$	\$	\$
Credit card 1	\$	\$	\$
Credit card 2	\$	\$	\$
Total installment debt	\$	\$	\$
Percentage of net income			
	%	%	%
Flexible expenses			
Savings	\$	\$	\$
Utilities	\$	\$	\$
Food	\$	\$	\$
Transportation	\$	\$	\$
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items (toothpaste, etc.)	\$	\$	\$
Total monthly expenses	\$	\$	\$
Total income	\$	\$	\$

How much would you spend? (continued)

Group activity 2

Rose is thinking about buying a car. She has \$1,000 saved for a down payment. Before she goes shopping, she wants to know how much she can afford to spend each month on a car.

Rose brings home \$926 each month from her first job, and \$974 from her second job.

Her fixed expenses include:

- \$250 for rent
- \$34 for a credit payment on furniture she bought several months ago with a total outstanding balance of \$540

Her flexible monthly expenses are:

- \$100 for savings
- \$20 for telephone
- \$175 for food
- \$45 for transportation (bus fare)
- \$70 for tuition
- \$20 for school supplies
- \$40 for clothing
- \$40 for entertainment
- \$20 for household supplies
- \$29 for personal items

If Rose gets a car, she expects to spend about \$60 a month on gas and oil, and about \$30 on parking and bridge tolls.

If Rose gets a car, she will need car insurance. She has done some research, and she expects her car insurance premium to be about \$175 a month.

Directions: Using the attached budget sheet and the online calculator (practicalmoneyskills.com/calculators), complete the following chart.

How much would you spend? (continued)

Car for \$4,000 (amount of loan: \$3,000)

APR: 10%
 Length of loan: 36 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

APR: 12%
 Length of loan: 36 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

APR: 14%
 Length of loan: 36 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

APR: 16%
 Length of loan: 36 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

Car for \$6,000 (amount of loan: \$5,000)

APR: 10%
 Length of loan: 36 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

APR: 12%
 Length of loan: 36 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

APR: 14%
 Length of loan: 36 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

APR: 16%
 Length of loan: 36 months
 Total cost of loan:
 Monthly payment:
 Total finance charge:

How much would you spend? (continued)

Car for \$8,000 (amount of loan: \$7,000)

APR: 10%
Length of loan: 36 months
Total cost of loan: _____
Monthly payment: _____

Total finance charge: _____

APR: 12%
Length of loan: 36 months
Total cost of loan: _____
Monthly payment: _____

Total finance charge: _____

APR: 14%
Length of loan: 36 months
Total cost of loan: _____
Monthly payment: _____

Total finance charge: _____

APR: 16%
Length of loan: 36 months
Total cost of loan: _____
Monthly payment: _____

Total finance charge: _____

1. Which car can Rose afford?

2. What are the terms of the loan that would allow Rose to buy a car and still stay within her budget?

3. Using the column “How you’d do it” on Rose’s budget worksheet, figure how you would set up a budget if you had Rose’s income and expenses.

4. What were the main differences between the budget you set up using Rose’s income and expenses, and the budget provided?

How much would you spend? (continued)

Rose's budget	Scenario	How you'd do it	Difference
Income			
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
Total income	\$	\$	\$
Fixed expenses			
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Installment payments			
Car loan payment	\$	\$	\$
Credit card 1	\$	\$	\$
Credit card 2	\$	\$	\$
Total installment debt	\$	\$	\$
Percentage of net income			
	%	%	%
Flexible expenses			
Savings	\$	\$	\$
Utilities	\$	\$	\$
Food	\$	\$	\$
Transportation	\$	\$	\$
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items (toothpaste, etc.)	\$	\$	\$
Total monthly expenses	\$	\$	\$
Total income	\$	\$	\$

Lesson 7 quiz: cars and loans

True/False

1. _____ Most used cars sold by private parties have a 1-year warranty.
2. _____ A service contract is designed to avoid costly repairs as a motor vehicle gets older.
3. _____ The truth-in-lending law requires a borrower be informed of the total finance charge.
4. _____ Bodily-injury liability covers the damage to another person's car for which you were at fault.
5. _____ Collision insurance covers damage caused to a motor vehicle by vandalism or floods.

Multiple choice

6. The most reliable source for buying a used car is usually:
 - A. a rental car company.
 - B. a police auction.
 - C. a car dealer.
 - D. private party sales.
7. _____ warranty refers to the fact that a product will do what it is designed to do.
 - A. An extended
 - B. An implied
 - C. A dealer
 - D. An unexpired manufacturer's
8. The truth-in-lending law requires borrowers be informed of the:
 - A. amount financed.
 - B. cost of auto insurance.
 - C. features of an extended warranty.
 - D. reasons a person has been denied credit.
9. The auto insurance coverage for damage to your vehicle as a result of an accident is called:
 - A. property damage.
 - B. comprehensive.
 - C. liability.
 - D. collision.
10. Doctor costs for injuries to others resulting from an accident are covered by _____ liability.
 - A. medical
 - B. collision
 - C. bodily injury
 - D. comprehensive

