



TOPIC: Budgeting for Car Ownership

GRADES: 9 - 12

STANDARD(S): Financial Literacy

OBJECTIVES FOR FINANCIAL LITERACY EDUCATION

- Understand the different factors that affect the cost of car ownership
- Understand how personal choices might increase or decrease the cost of car ownership
- Evaluate consumer choices about factors relating to a large purchase

PROCEDURE

- Assign students to watch the following video and two readings about **overall driving costs**, and then complete **PAGES 2 - 3** in the student worksheet.
 - Bank of America video – [What Are the True Costs of Car Ownership?](#)
 - [AAA press release on annual driving costs](#)
 - [AAA brochure on annual driving costs](#)
- Assign students the following website, three readings (*one optional*) and video about **gas prices**, and then complete **PAGES 4 – 5** in the accompanying worksheet.
 - [AAA Gas Prices website](#)
 - AAA article – [Fuel Saving Tips](#)
 - *Consumer Reports* article – [Drivers Waste Billions of Dollars Buying Premium Gasoline](#)
 - *Wall Street Journal* video – [Why Gas Prices Vary From Pump to Pump](#)
 - Federal Reserve Bank of St. Louis (*optional*) – [Behind the Signs: Factors That Affect Gasoline Prices](#)
- Assign the following three readings about **maintenance and repair**, and then complete **PAGE 6** in the accompanying worksheet.
 - AAA article – [Basic Car Maintenance 101](#)
 - AAA article – [How to Spend Less Money on Auto Repairs](#)
 - *Consumer Reports* article – [The Hidden Cost of Car Safety Features](#)
- Assign the following four readings about **insurance**, and then complete **PAGES 7 – 8** in the accompanying worksheet.
 - AAA article – [Understanding a Car Insurance Policy](#)
 - AAA article – [Car Insurance Costs Explained](#)
 - Insurance Information Institute (III) infographic – [What Determines the Cost of My Auto Insurance?](#)
 - Insurance Information Institute (III) article – [How to Save Money on Auto Insurance](#)
- Assign the following two readings about **depreciation**, and then complete **PAGES 9 – 10** in the accompanying worksheet.
 - Credit Karma article – [How Car Depreciation Affects Your Vehicle's Value](#)
 - Kelly Blue Book article – [What's My Car Worth?](#)
- Assign the following video and four readings about **financing**, and then complete **PAGES 11 – 12** in the accompanying worksheet.
 - Bank of America video – [What's the Cost of Buying a New Car vs. a Used Car?](#)

- BestRide article – [Tips for Teens Buying Their First Car](#)
- AAA – [Car Buying Tips](#)
- *Consumer Reports* – [Leasing vs. Buying a New Car](#)
- Credit.com – [A Millennial's Guide to Getting Your First Car Loan](#)
- Assign the Financing Scenario worksheet on **PAGES 13 – 14**.

SUMMARY

By the end of this lesson, students should be able to explain what consumers should consider when purchasing or leasing a car and be able to identify the “hidden” costs of car ownership for use in preparing a budget.

FINANCIAL LITERACY STANDARDS

The lesson plan meets the following Council for Economic Education standards and are based on Grade 12 benchmarks:

2.1
2.3
2.4
4.4
6.2
6.4
6.7

Budgeting for Car Ownership



Student Workbook

NAME:

DATE:

VEHICLE OWNERSHIP COSTS

Answer these two questions BEFORE you watch the video and read the articles:

Besides the cost you might pay a dealer, name two other costs that you may have to pay when you own a car:

How do you think you might be able to save money on a car?

REVIEW

Review the links provided, then answer the following questions:

- WATCH: [What Are the True Costs of Car Ownership?](#) (*Bank of America*)
- READ: [AAA press release on annual driving costs](#)
- READ: [AAA brochure on annual driving costs](#)

ANSWER

Answer the questions below based on the links above:

Name the five costs of owning a vehicle.

Of the costs mentioned in question 1, which depend on how much you drive the car?

Which category of vehicle is the cheapest to own? Which is the most expensive?

Which category of vehicle is the cheapest to maintain and repair? Which is the most expensive?

CHALLENGE QUESTION: Do you think people consider all these costs when they purchase a vehicle? If not, which one(s) do you think they miss?

NAME:

DATE:

GAS PRICES

Answer these two questions BEFORE reviewing the links:

Name two factors that might influence how much you would pay for gas over the course of a year:

Do you think all cars get the same gas mileage? Why or why not?

REVIEW

Review the links provided, then answer the following questions:

- WEBSITE: [AAA Gas Prices](#)
- READ: [Fuel Saving Tips](#) (AAA)
- READ: [Drivers Waste Billions of Dollars Buying Premium Gasoline](#) (Consumer Reports)
- WATCH: [Why Gas Prices Vary From Pump to Pump](#)
- **OPTIONAL READ:** [Behind the Signs: Factors That Affect Gasoline Prices](#) (Federal Reserve Bank of St. Louis)

ANSWER

Answer the questions below based on the links above:

What is today's average national average gas price for regular gas? What is the average in your state for regular gas? Mid-grade? Premium? Are there any nearby states that are cheaper for regular gas?

Name five ways to save money on gas.

Should all drivers use premium gasoline? Why do you think some drivers whose cars don't need premium gasoline use it?

What are four factors that influence the price of the gas you pay at the pump?

Say gas is \$2.12/gallon, and you plan to drive 12,000 miles this year. You're choosing between a car that gets 30 miles to the gallon and another that gets 40 miles to the gallon. For each car, how much would you expect to spend on gasoline this year? How much would you save by choosing the more fuel-efficient car?

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MAINTENANCE & REPAIR

REVIEW

Review the links provided, then answer the following questions:

- READ: [Basic Car Maintenance 101](#) (AAA)
- READ: [How to Spend Less Money on Auto Repairs](#) (AAA)
- READ: [The Hidden Cost of Car Safety Features](#) (Consumer Reports)

ANSWER

Answer the questions below based on the links above:

Which costs less money overall: doing regular maintenance on your vehicles, or waiting for problems to arise before fixing them? Why?

Name four aspects of your car that might need regular maintenance.

What are some ways that you can save on auto repairs?

Why might a car be more expensive to repair?

NAME:

DATE:

INSURANCE

Answer these two questions BEFORE reviewing the links:

Why might someone have insurance on a car?

Do you think that everyone pays the same for insurance for their car? Name one factor that might cause insurance rates to be different.

REVIEW

Review the links provided, then answer the following questions:

- READ: [Understanding a Car Insurance Policy](#) (AAA)
- READ: [Car Insurance Costs Explained](#) (AAA)
- READ: [What Determines the Cost of My Auto Insurance?](#) (Insurance Information Institute)
- READ: [How to Save Money on Auto Insurance](#) (Insurance Information Institute)

ANSWER

Answer the questions below based on the links above:

What is the difference between a *premium* and a *deductible*? Explain the pros and cons of having a policy with high premiums and low deductibles.

What factors determine how much someone pays for their insurance premium?

Why do teens generally pay more for auto insurance than adults?

Some insurance companies will give a discount to teen drivers with good grades. Why do you think they do that?

Name two ways you can reduce your insurance cost.

CHALLENGE QUESTION: In most states, all car owners must have insurance. Why do you think that is?

NAME:

DATE:

DEPRECIATION

Answer this question BEFORE reviewing the links:

Scenario: You're buying a car at a used car dealership and the salesperson shows you two cars. They are identical – same model, same year, same condition – except that one has 80,000 miles on it and the other 160,000 miles. Which car would you pay more for and why?

REVIEW

Read the article and then use the website to answer the questions below.

- READ: [How Car Depreciation Affects Your Vehicle](#) (*Credit Karma*)
- WEBSITE: [What's My Car Worth?](#) (*Kelley Blue Book*)

ANSWER

Answer the questions below based on the links above:

What is depreciation?

Do all cars depreciate at the same rate? If not, what might affect how a car depreciates?

Visit the Kelley Blue Book website and look up the trade-in values for a Toyota Camry with model years 2015, 2010 and 2005 (use 100,000 miles, the SE 4-door sedan, standard equipment, gray color and very good condition). What are the values? Why do you think they might be different?

Using the same website, look up the trade-in values for a 2015 Honda CR-V. This time, look up different mileage points – 30,000 miles, 75,000 miles and 125,000 miles. Use the same selections for the other categories (style, color, etc.) for each search. What are the values? Why do you think they might be different?

CHALLENGE QUESTION: Why do you think a new car depreciates most in its first year?

NAME:

DATE:

FINANCING

Answer this question BEFORE reviewing the links:

Why might it be important to do research before buying a car?

REVIEW

Read the article and then use the website to answer the questions below.

- WATCH: [What's the Cost of Buying a New Car vs. a Used Car?](#) (Bank of America)
- READ: [Tips for Teens Buying Their First Car](#) (BestRide)
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- READ: [Leasing vs. Buying a New Car](#) (Consumer Reports)
- READ: [A Millennial's Guide to Getting Your First Car Loan](#) (Credit.com)

ANSWER

Answer the questions below based on the links above:

Are you able to negotiate with a dealer on the price of a car? Why or why not?

What are the pros of buying/financing a car? What are the pros of leasing a car?

What are the pros of buying a new car? What are the pros of buying a used car?

Why do most people need a loan to purchase a new car? Name two ways you can make sure you're getting a good deal on a loan.

Just because you can afford the purchase price at the dealership, does that mean you should buy a car?

NAME:

DATE:

FINANCING SCENARIO

A Honda Civic comes in different versions. The LX is the cheapest model and costs \$20,650. The Touring is the most expensive and costs \$27,000.

Assume the annual percentage rate (APR) on a 48-month auto loan is 2.84% and that the APR on a 72-month loan is 3.59%. Use the [Bank of America auto loan calculator](#) to answer the following questions (click “determine loan amount” to enter figures directly).

Answer the following questions using the information from above:

What is your estimated monthly payment if you take out a loan on an LX model for 48 months, with a \$3,000 down payment?

What is your estimated monthly payment if you take out an auto loan on a Touring model for 48 months, with a \$3,000 down payment? How much more would you pay in the first year for the Touring model than for the LX model?

What is your estimated monthly payment if you take out an auto loan on an LX model for 72 months, with a \$3,000 down payment? What are the advantages and disadvantages of this option compared with the loan in question 1?

What is your estimated monthly payment if you take out an auto loan on an LX model for 72 months, with a \$9,000 down payment?

CHALLENGE QUESTION: If a dealer advertised a car with only a \$150 monthly payment, what else would you want to know to make sure you were getting a good deal?

CHALLENGE QUESTION: Interest is a charge for borrowing money (*the 2.84% APR is an example of an interest rate*). Why do banks charge borrowers interest?

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