Name	Date

Directions: Below you will find two different scenarios: one for purchasing a car, one for leasing the same car. Use the data provided to answer the questions below each scenario. Be prepared to use this information in class discussion. Use the auto loan calculator at *http://www.loanscalculator.org/auto-loan-calculator.html* to assist you with calculating loan costs.

Scenario 1

You want to buy a car that costs \$25,000. You will take a 48-month loan. You have \$2,000 saved for a down payment. The dealer is also offering a \$6,000 rebate as an incentive. You do not have a car to trade in. You also qualify for a first-time buyer incentive of \$500. Your interest rate on the loan will be 6.5%. You will have to pay 7.5% sales tax on the car when you purchase it, and it will cost you \$25 per year to license the car. You will pay property tax of \$480 on the car each year. Your monthly insurance premium on the car is \$56 per month.

- 1. What is the total cost of the car over four years including all principal, interest, taxes, insurance and fees?
- 2. What is your monthly loan payment for the car including principal and interest?
- 3. After you have repaid the loan, what will you pay annually for taxes, insurance and fees?
- 4. If you keep the car for seven years, how much money will you have spent in principal, interest, taxes, insurance and fees?

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Date _____

Scenario 2

You want to lease a \$25,000 car for 48 months. You will not make a down payment. You must pay a \$500 security deposit on the car before you leave the dealership. There is an additional fee of \$250 for the cost of completing the dealer lease paperwork. Your total monthly lease payment is \$383 per month. In your lease agreement, it has been determined that the value of the car will be \$14,000 at the end of the lease term. You are allowed 12,000 miles per year for the car, and the mileage fee for overages is \$.25 per mile. You pay \$68 per month for insurance, and it costs you \$25 per year to license the car. There is a \$1,500 early termination fee on the lease. There is a \$500 penalty if you turn the car in with "excess wear and tear."

1. What is the total cost of the car over four years including all payments, insurance and fees?

2. You are in a car accident during the last year of the lease and the car is a total loss, thus ending the lease early. How will this affect you?

3. At the end of your 48-month lease, you go to the dealer to trade the car in for another. Upon reviewing the odometer, the dealer notices that it reads 59,825 miles. What will happen?

4. When you go to return the car, you decide you like it and want to purchase it. How much will this cost you?

Directions: Below you will find two different scenarios: one for purchasing a car, one for leasing the same car. Use the data provided to answer the questions below each scenario. Be prepared to use this information in class discussion. Use the auto loan calculator at *http://www.loanscalculator.org/auto-loan-calculator.html* to assist you with calculating loan costs.

Scenario 1

You want to buy a car that costs \$25,000. You will take a 48-month loan. You have \$2,000 saved for a down payment. The dealer is also offering a \$6,000 rebate as an incentive. You do not have a car to trade in. You also qualify for a first-time buyer incentive of \$500. Your interest rate on the loan will be 6.5%. You will have to pay 7.5% sales tax on the car when you purchase it, and it will cost you \$25 per year to license the car. You will pay property tax of \$480 on the car each year. Your monthly insurance premium on the car is \$56 per month.

1. What is the total cost of the car over four years including all principal, interest, taxes, insurance and fees?

\$26,875.63 (based on auto loan calculator at http://www.loanscalculator.org/auto-loan-calculator.html)

Down Payment = \$2,000.00Principal = \$16,500.00Interest = \$2,280.13Sales tax = \$1,387.50 ($$18,500 \times 7.5\%$) Property tax = \$1,920 ($$480 \times 4$ years) Insurance = \$2,688 ($$56 \times 48$ months) Fees (licensing) = \$100 ($$25 \times 4$ years)

2. What is your monthly loan payment for the car including principal and interest? \$391.30 (financed \$16,500 at 6.5% for 48 months)

- 3. After you have repaid the loan, what will you pay annually for taxes, insurance and fees? \$1,177 (\$480 for property taxes + \$56 x 12 = \$672 for insurance + \$25 for licensing)
- 4. If you keep the car for seven years, how much money will you have spent in principal, interest, taxes, insurance and fees?
 \$30,256.63 (Answer to question 1 above + answer to question 3 above x 3)

Scenario 2

You want to lease a \$25,000 car for 48 months. You will not make a down payment. You must pay a \$500 security deposit on the car before you leave the dealership. There is an additional fee of \$250 for the cost of completing the dealer lease paperwork. Your total monthly lease payment is \$383 per month. In your lease agreement, it has been determined that the value of the car will be \$14,000 at the end of the lease term. You are allowed 12,000 miles per year for the car, and the mileage fee for overages is \$.25 per mile. You pay \$68 per month for insurance, and it costs you \$25 per year to license the car. There is a \$1,500 early termination fee on the lease. There is a \$500 penalty if you turn the car in with "excess wear and tear."

1. What is the total cost of the car over four years including all payments, insurance and fees? \$22,498

Payments = \$18,384 ($$383 \times 48$ months) Insurance = \$3,264 ($$68 \times 48$ months) Licensing = \$100 ($$25 \times 4$ years) Fees = \$750 (security deposit and paperwork)

- You are in a car accident during the last year of the lease and the car is a total loss, thus ending the lease early. How will this affect you?
 You will potentially have to pay the \$1,500 for early lease termination along with the \$500 for "excess wear and tear."
- 3. At the end of your 48-month lease, you go to the dealer to trade the car in for another. Upon reviewing the odometer, the dealer notices that it reads 59,825 miles. What will happen? You will have to pay a mileage overage charge of \$2,956.25 because you exceeded the 48,000 miles you were allowed (12,000 x 4 years) by 11,825 miles (59,825 48,000) and the cost per mile is \$.25 (11,825 x .25)
- 4. When you go to return the car, you decide you like it and want to purchase it. How much will this cost you?

The car will be worth \$14,000 at that time, so you will have to finance \$13,500 at the current rate and for a period of time that you select. (This is \$14,000 less the refundable \$500 security deposit.)

Name _____ Date _____

Directions: You want to purchase your first car. Below is data related to the two cars you are considering. Study the data, use spreadsheets you have created, and use the online calculators at *http://cucalc.cuna.org/1/lease_vs_buya.html* to help you determine which car you will purchase. Be prepared to defend your selection in class discussion.

Buyer Data:

- High school senior
- Has \$1,500 saved for a down payment
- Works part-time earning approximately \$150 per week
- Planning to attend college away from home after graduation
- Has a good driving record and has maintained good grades, so qualifies for discounts on insurance, making monthly insurance premiums \$100
- Does not currently own a car

Car 1:

- New, current model year compact car
- Price is \$16,000
- Dealer incentives = \$2,000 cash rebate or 3.9% financing for 60 months
- Dealer offers a first-time buyer discount of \$500
- Interest rate on a 48-month loan is 6.5%
- You could lease the vehicle

Car 2:

- Used car, three years old, 40,000 miles
- Price is \$9,000
- Interest rate on a 48-month loan is 7%
- Leasing the vehicle is not an option
- 1. Which car did you decide to purchase? Why?
- 2. How will you be paying for the car?
- 3. What will your total cost for the car be at the end of your loan/lease?
- 4. What factors influenced your buying and financing decisions?

Directions: You want to purchase your first car. Below is data related to the two cars you are considering. Study the data, use spreadsheets you have created, and use the online calculators at http://cucalc.cuna.org/1/lease_vs_buya.html to help you determine which car you will purchase. Be prepared to defend your selection in class discussion.

Buyer Data:

- High school senior
- Has \$1,500 saved for a down payment
- Works part-time earning approximately \$150 per week
- Planning to attend college away from home after graduation
- Has a good driving record and has maintained good grades, so qualifies for discounts on insurance, making monthly insurance premiums \$100
- Does not currently own a car

Car 1:

- New, current model year compact car
- Price is \$16,000
- Dealer incentives = \$2,000 cash rebate or 3.9% financing for 60 months
- Dealer offers a first-time buyer discount of \$500
- Interest rate on a 48-month loan is 6.5%
- You could lease the vehicle

Option 1: Do a four-year lease and use the calculator to find a lease payment of \$210.10 per month. Option 2: Take the \$2,000 cash rebate and finance the remainder at 6.5% for 48 months for a payment of \$284.58 per month.

Option 3: Use the 3.9% financing for 60 months for a payment of \$257.20, noting that the payments will continue for five years, not four.

Car 2:

- Used car, three years old, 40,000 miles
- Price is \$9,000
- Interest rate on a 48-month loan is 7%
- Leasing the vehicle is not an option

Option: Purchase car at 7% for 48 months for a payment of \$179.60 knowing that by the time the car is paid off it will be seven years old and probably have nearly 90,000 miles on it.

- 1. Based on the buyer data and information about each car, which one did you decide to purchase? Why? Answers will vary.
- 2. How will you be paying for the car? Answers will vary.
- 3. What will your total cost for the car be at the end of your loan/lease? Answers will vary.
- 4. What factors influenced your buying and financing decisions? Answers will vary.