

## Unit 2: Budgeting and Saving (30 points)

*Learning Target: Understand the impact of contextual factors associated with consumer decision making.*

Vehicle Car Loan-Determine **cost per mile** of a vehicle you purchase.

Did you know the average monthly cost of driving a vehicle is \$706 just for going from point A to point B? The average FIXED cost is \$172 (taxes, registration and insurance). Variable expenses are dependent upon what vehicle you drive and how many miles you drive. In this assignment, you will figure out what would be reasonable for you as a first vehicle considering your income.

\*Income based on the starting salary of your career project.

**Step 1:** Find an advertisement for a vehicle using cars.com, [KBB](#), dealer websites, social media, or search a site on your own. \*The ad should include information such as: Year, Make, Model, Price....etc.

\*The car must be 1992 or newer as we will review value on Kelly Blue Book. [KBB.com](#) gives you everything you need to research a new, certified (CPO) or used car, compare cars, find cars for sale and make a well-informed decision.

**Use the Snipping Tool and paste a photo of the vehicle here:**

*Hold down the Ctrl + Shift keys simultaneously, then press the Show Windows button.*

**Snip and past information regarding make, model, mileage, etc. here:**

**List the sale price here \$**

**Step 2:** Click on the site for “[Kelley Blue Book](#)”. Insert the information about your vehicle onto the site. (keep this site open)

**Fair Market Range from KBB for “good” condition \$**

**What is the most you would pay for this vehicle \$**

**Step 3:** [What is the average term for a vehicle loan?](#) For this exercise you will finance your vehicle. Use the [Bankrate auto loan calculator](#). Determine the total cost of the loan for each of the options. As we move forward in the course you will learn more about FICO credit scores and how they can impact you.

AVERAGE CAR LOAN  
RATES BY CREDIT SCORE

NEW CARS

USED CARS

APR

FICO Score

APR

4.70%

720-850

5.30%

6.02%

690-719

6.90%

8.32%

660-689

8.38%

11.24%

620-659

9.85%

15.95%

590-619

16.39%

17.14%

500-589

18.39%

Loan	Interest Rate	Length in Years	Payment Amount Each Month	Total Interest	Total Loan Payment (Price of car + total interest)
I (good credit)	5%	5	\$	\$	\$
II	8%	5	\$	\$	\$
III	10%	5	\$	\$	\$
IV (bad credit)	15%	5	\$	\$	\$
V (really bad credit)	20%	5	\$	\$	\$

**Step 5:** Considering these options respond to the following:

- Explain which loan option is best for you and justify that conclusion.
- A lender tries to convince you to choose a longer loan term (6-7 years) because the monthly payment is affordable. What is your response to that lender? Be specific.
- Although you may be able to afford the payments on a nicer, newer vehicle, what are two reasons why you should be concerned about the purchase?

**Step 6:** Research the vehicle you are considering purchasing. Check out the Ratings & Reliability and Reviews of the vehicle consider using [www.cars.com](#) (research button) & [www.kbb.com](#) (reviews and ratings tab) or a different review site. What are the best aspects about the vehicle from a comparison standpoint. [Car Complaints](#)

**Step 7:** List the 3 most important **Standard Equipment** features that *led you* to this vehicle.

- 1.
- 2.
- 3.

What is the **Warranty** on your vehicle-dealer warranty/ect. (if any)?

**Step 8:** Calculate the amount you will spend on gasoline each month.

Your vehicle will get the following miles per gallon: (Highlight one)

Small car-35 mpg

Medium car-25 mpg

SUV/Truck-18 mpg

A gallon of gas currently costs \$

How much will it cost you to drive your vehicle 1000 miles? \$  
**(this is your monthly gasoline cost)**

**Example: 1000/35=29 gallons  
needed  
29 \* current gas price= \$\_\_\_\_\_ per month**

**Step 9:** Additional Expenses

Your vehicle will most likely need an oil change every 3,000 miles/every 3 months. An oil change is about \$30 if you take it in. If you change your own oil, consider the cost of oil and the recycle fee. How much will this cost you **per month?** \$

All vehicle owners must pay a yearly registration fee of \$85. Spread out over 12 months, what is your **monthly cost?** \$

What will you spend per month (average) on the following: car washes, décor, air fresheners, stereo system, additional features \$

Last, but not least.....approximate your **Car Insurance Cost:** Your driving history matters! Approximate \$140 per month if you have not had an accident or a ticket, \$200 per month if you have had an accident or ticket, and \$250 per month if you have had 2 accidents or tickets. \$

**Compute the Cost per Month and the Cost per Mile of your vehicle.**

Loan Payment:

Gasoline:

Oil Changes:

Registration

Additional Expenses:

Car Insurance:

**Cost Per Mile:** \_\_\_\_\_

**Cost per Mile = Cost per Month/1,000 Miles**

