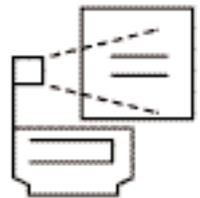


lesson nine

cars and loans



overheads



the cost of owning and operating a car

ownership (fixed) costs:

- Depreciation (based on purchase price)
- Interest on loan (if buying on credit)
- Insurance
- Registration fee, license, taxes, GST
- Service contract (if purchased)

operating (variable) costs:

- Gasoline
- Oil and other fluids
- Tires
- Maintenance and repairs
- Parking and tolls
- Tickets

real cost of operating a car



ownership costs include insurance, finance charges, license, registration, taxes and depreciation

operating costs include gas, oil, tires & maintenance

DIFFERENT VEHICLES — DIFFERENT COSTS

cost	sub-compact	compact	mid-size	mini-van	full-size
per year	\$ 7,000.48	\$ 7,391.83	\$ 8,733.98	\$ 7,876.95	\$10,923.90
per day	\$ 19.18	\$ 20.25	\$ 23.93	\$ 21.58	\$29.93

notes: (1) The above figures are based on a provincial average to account for the fact that it costs more to operate a vehicle in some areas of the country than in others. These include ownership and operating costs.

(2) The operating costs, based on 24,000 km driven annually, approximate 12.9¢/km or 24% of the total costs.

Source: Canadian Automobile Association (Driving Costs - 1999 Edition)



how much can you afford? (the 20-10 guideline)

never borrow more than 20% of your yearly net income

- If you earn \$400 a month after taxes, then your net income in one year is:

$$12 \times \$400 = \$4,800$$

- Calculate 20% of your annual net income to find your safe debt load:

$$\$4,800 \times 20\% = \$960$$

- So, you should never have more than \$960 of debt outstanding.
- Note: Housing debt (i.e., mortgage payments) should not be counted as part of the 20%.

monthly payments shouldn't exceed 10% of your monthly net income

- If your take-home pay is \$400 a month

$$\$400 \times 10\% = \$40$$

- Your total monthly debt payments shouldn't total more than \$40 per month.

consumer decision making



deciding to spend your money:

- Do I really need this item?
- Is it worth the time I spend making the money to buy it?
- Is there a better use for my money right now?

deciding on the right purchase:

- What level of quality do I want (low, medium, or high)?
- What level of quality do I need?
- What types of services and repairs does the dealer offer?
- Should I wait until there is a sale on the type of car I want?
- Should I buy a new or a used car?
- If I buy a used car, should I buy it from a dealer or from a private party?
- Should I choose a car with a well-known name even if it costs more?
- Do I know anyone who owns the type of car I want?
- Are the warranty and the service contracts on the car comparable with warranties and service contracts on similar cars?
- What do consumer magazines say about the type of car I want?



shopping for a used car

before you begin shopping:

- Decide how much you can afford to spend.
- Decide which car models and options interest you.
- Research the reliability of the model of car you want.
- Find out where the nearest repair facility is that works on the type of car you want.
- Find out whether parts are readily available for the type of car you want. Find recent prices in used-car “blue books” in the library, on the Internet, in newspaper ads, consumer magazines, etc.
- Shop for financing.
- Factor in the costs of the loan and the cost of maintenance.
- Know how to read a “Buyer’s Guide” sticker.

as you shop:

- Find out the reputation of the dealer.
- Find out what type of warranty comes with the car.
- Find out what type of service contract comes with the car.



sources of used cars

new-car dealers provide quality used vehicles; service department available; higher prices than other sources

used-car dealers specialize in previously owned vehicles; limited warranty (if any); vehicles may be in poor condition

private parties may be a good buy if vehicle was well maintained; few consumer protection regulations apply to private party sales

other sources such as auctions or sales by government agencies, auto rental companies, and on the Internet; most of these vehicles have been driven many kilometres



shopping for a new car

before you begin shopping:

- Decide which car model and specific options you want.
- Find out the invoice price and the true cost to the dealer of the model and options you want.
- Decide how much you are willing to pay the dealer above the invoice price.
- Make your offer to as many dealers as possible.
- Compare final sales prices with other dealers and buying services.
- Compare financing costs from various sources.
- If you already have a car, find out its value independent of the dealer's trade-in offer.
- Try to sell your old car yourself (dealers usually give better deals without a trade-in).
- Decide whether you need an optional service contract or credit insurance.

warranties



as-is (no warranty):

- No expressed or implied warranty.
- If you buy a car and have problems with it, you must pay for any repairs yourself.
- Some provinces do not permit “as-is” sales on used cars.

implied warranties:

- Warranty of merchantability—a product will do what it is designed to do.
- Warranty of fitness for a particular purpose—a product will do what the seller promises it will do.
- Always in effect unless the product is sold as-is or the seller says in writing that there is no warranty.

dealer warranties:

- Offered and specifically written by the dealer.
- Terms and conditions can vary greatly.
- Useful to compare warranty terms on similar cars or negotiate warranty coverage.

unexpired manufacturer’s warranties:

- Manufacturer’s warranty can sometimes be transferred to the new owner. There may be a fee for the transfer process.



service contracts (also called “extended warranties”)

before deciding to buy a service contract, find out:

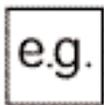
- The cost.
- Which repairs the contract covers.
- Whether the warranty already covers the same repairs.
- Whether the vehicle is likely to need repairs and, if so, the potential cost of repairs.
- Whether there is a deductible and, if so, what it is.
- Whether repairs and service can be performed at locations other than at the dealership.
- Whether the contract covers incidental expenses such as towing.
- Whether there is a cancellation or refund policy and, if so, the cost.
- Whether the dealer or company offering the service is reputable.
- Whether you can purchase the service contract later.

shopping for a car loan



variables include:

- Annual Percentage Rate (APR)
- Length of the loan
- Monthly payments
- Total finance charge
- Total to be repaid



example of how loans can vary:

- Borrowing \$8,000 at different rates

APR	Length of loan	Total monthly payment	Total finance charge	To be repaid
10.00%	36 months	\$258.14	\$1,292.94	\$9,292.94
	60 months	\$169.98	\$2,198.52	\$10,198.52
12.25%	36 months	\$266.67	\$1,600.15	\$9,600.15
	60 months	\$178.97	\$2,738.03	\$10,738.03
13.00%	36 months	\$269.55	\$1,703.87	\$9,703.87
	60 months	\$182.02	\$2,921.58	\$10,921.58



how to calculate the total cost of a loan

to estimate the total cost of a loan:

- Amount of the loan x APR x number of years*

e.g.

- Example:

$$\mathbf{\$10,000 \times 0.10 \times 5 \text{ years} = \$5,000}$$

to estimate the amount of monthly payments:

- Total to be paid divided by number of months of the loan*

e.g.

- Example:

$$\mathbf{\$15,000 / 60 = \$250 \text{ per month}}$$

*These formulas produce estimates that are slightly higher than your actual costs and payments, because they do not account for the reduction of interest payments as you repay the loan.

the consumer protection act



the consumer protection act requires lender to inform borrower of:

- Amount financed
- What charges are included in amount financed
- Total finance charge, in dollars
- Annual Percentage Rate (APR)
- Payment schedule
- Total amount of payments
- Total sales price
- Pre-payment penalty, if any
- Late payment penalty, if any
- Security interest
- Insurance charges



types of car insurance coverage

Insurance coverage and costs are under Provincial jurisdiction and as such vary greatly from province to province. Car owners are advised to check with the appropriate Provincial government department to determine exactly what kind of coverage is required in their Province.

liability (40–50% of premium)

- Bodily-injury coverage
- Property-damage coverage (i.e., to another person's car)

collision (up to 30% of premium)

- Pays for the physical damage to your car as a result of an accident
- Limited by deductible

comprehensive (about 12% of premium)

- Pays for damage caused by vandalism, hailstorms, floods, theft, etc.

medical

- Covers medical payments for driver and passengers injured in accident

rental reimbursement

- Pays a specific amount per day to rent a car while yours is being fixed

towing and labour

how insurance rates are set



personal characteristics

- Age
- Gender
- Marital status
- Personal habits (i.e., smoking)
- Type and frequency of vehicle use (i.e., commuting)

geographic location (often classified by postal code)

- “Rural” usually lowers rates, “urban” usually raises rates

driving record

- Accident with death, bodily injury, or property damage may trigger a surcharge on premium for 3 years
- Number and kind of moving violations (and total of associated points)
- Number of years insured with the company

vehicle characteristics

- Damage, repair, and theft record of type and model of car
- Age of car



rights of creditor

- Can seize car as soon as you default
- Can't commit a breach of the peace, i.e.; use physical force or threats of force
- Can keep car or resell it
- May not keep or sell any personal property in car (not including improvements such as a stereo or luggage rack)

your rights

- May buy back car by paying the full amount owed on it plus repossession expenses

your legal responsibilities

- Must pay the “deficiency balance”—the amount of debt remaining even after your creditor has sold your car

leasing a car



advantages

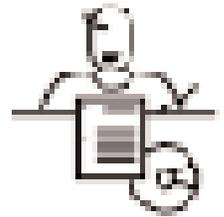
- Smaller initial outlay than down payment when buying on credit
- Monthly lease payments may be less than monthly finance payments
- Lease agreement provides detailed records for business purposes
- Often times, all service charges related to maintenance are included in lease, so there is no additional outlay of money for regular maintenance

disadvantages

- No ownership interest in the vehicle
- Must meet requirements similar to applying for credit
- Additional costs occur (such as for extra kilometres, certain repairs, ending lease early)

lesson nine

cars and loans



student activities

name: _____

date: _____



the operating costs of a car

model year _____

make, size, model _____

fixed costs

Depreciation: Purchase price \$ _____ divided by estimated life _____ years	\$
Annual interest on car loan (if applicable)	\$
Annual insurance costs	\$
License, registration, taxes	\$

variable costs

Gasoline: estimated kilometres per year _____ divided by _____ km/litre times the average price of \$ _____ per litre	\$
Oil changes for the year	\$
Tires	\$
Maintenance, repairs	\$
Parking and tolls	\$

total costs \$

divided by kilometres per year

equals

cost per kilometre \$

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.

name: _____

date: _____



shopping for a car loan

Amount of Loan \$ _____

Financial institution					
APR					
Length of loan					
Monthly payment					
Total finance charge					
Total to be repaid					



directions

Pretend that 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.

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?

name: _____

date: _____



shopping for insurance

minimum coverage required by province

Company 1 _____	Company 2 _____
Agent _____	Agent _____
Address _____	Address _____
Phone _____	Phone _____

	Amount of Coverage	Premiums for Company 1	Premiums for Company 2
Bodily injury liability			
Property damage			
Personal injury protection (no-fault insurance prov.)			
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 prov.)			
Collision— \$250 deductible			
Collision— \$500 deductible			
Towing and labour			
Other			

which company best suits your needs?

name: _____

date: _____



how much would you spend?

scenario 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 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%	APR:	12%
Length of Loan:	60 months	Length of Loan:	60 months
Total Cost of Loan:		Total Cost of Loan:	
Monthly Payment:		Monthly Payment:	
Total Finance Charge:		Total Finance Charge:	
<hr/>			
APR:	14%	APR:	16%
Length of Loan:	60 months	Length of Loan:	60 months
Total Cost of Loan:		Total Cost of Loan:	
Monthly Payment:		Monthly Payment:	
Total Finance Charge:		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 that was provided? _____

how much would you spend? (continued)

manuel's budget

income	scenario	how you'd do it	difference
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
Total Income	\$	\$	\$

fixed expenses

Savings	\$	\$	\$
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Instalment payments			
Car loan payment	\$	\$	\$
Credit card 1	\$	\$	\$
Credit card 2	\$	\$	\$
Total instalment debt	\$	\$	\$
Percentage of net income	\$	\$	\$

flexible expenses

Food/Eating out	\$	\$	\$
Utilities	\$	\$	\$
Transportation	\$	\$	\$
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
Tuition/School expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items (toothpaste, etc.)	\$	\$	\$
Other			
Total Monthly Expenses	\$	\$	\$

total income - total expenses \$ \$ \$

name: _____

date: _____



how much would you spend? (continued)

scenario 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 \$626 each month from her first job, and \$674 from her second job. Her fixed expenses include:

- \$250 for rent
- \$74 for a credit payment on some furniture she bought several months ago

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 computer-based activity “Comparing the True Cost of Loans,” complete the following chart. Then, answer the questions that follow.

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: 14%

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: 16%

Length of Loan: 36 months

Total Cost of Loan:

Monthly Payment:

Total Finance Charge:

5. Which car can Rose afford? _____

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

7. 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. _____

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

how much would you spend? (continued)

rose's budget

income	scenario	how you'd do it	difference
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
Total Income	\$	\$	\$

fixed expenses

Savings	\$	\$	\$
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Instalment payments			
Car loan payment	\$	\$	\$
Credit card 1	\$	\$	\$
Credit card 2	\$	\$	\$
Total instalment debt	\$	\$	\$
Percentage of net income	\$	\$	\$

flexible expenses

Food/Eating out	\$	\$	\$
Utilities	\$	\$	\$
Transportation	\$	\$	\$
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
Tuition/School expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items (toothpaste, etc.)	\$	\$	\$
Other			
Total Monthly Expenses	\$	\$	\$

total income - total expenses \$ \$ \$



how much would you spend? answer key

scenario 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 to complete the following chart and answer the questions that follow.

how much would you spend? answer key

car for \$6,000 (Amount of loan: \$6,000)

APR:	10%
Length of Loan:	60 months
Total Cost of Loan:	\$7,648.98
Monthly Payment:	\$127.48
Total Finance Charge:	\$1,648.98

APR:	12%
Length of Loan:	60 months
Total Cost of Loan:	\$8,007.93
Monthly Payment:	\$133.47
Total Finance Charge:	\$2,007.93

APR:	14%
Length of Loan:	60 months
Total Cost of Loan:	\$8,376.56
Monthly Payment:	\$139.61
Total Finance Charge:	\$2,376.56

APR:	16%
Length of Loan:	60 months
Total Cost of Loan:	\$8,754.45
Monthly Payment:	\$145.91
Total Finance Charge:	\$2,754.45

car for \$8,000 (Amount of loan: \$8,000)

APR:	10%
Length of Loan:	60 months
Total Cost of Loan:	\$10,198.52
Monthly Payment:	\$169.98
Total Finance Charge:	\$2,198.52

APR:	12%
Length of Loan:	60 months
Total Cost of Loan:	\$10,677.24
Monthly Payment:	\$177.96
Total Finance Charge:	\$2,677.24

APR:	14%
Length of Loan:	60 months
Total Cost of Loan:	\$11,168.66
Monthly Payment:	\$186.15
Total Finance Charge:	\$3,168.66

APR:	16%
Length of Loan:	60 months
Total Cost of Loan:	\$11,672.81
Monthly Payment:	\$194.54
Total Finance Charge:	\$3,672.81

how much would you spend? answer key

car for \$10,000 (Amount of loan: \$10,000)

APR:	10%	APR:	12%
Length of Loan:	60 months	Length of Loan:	60 months
Total Cost of Loan:	\$12,748.23	Total Cost of Loan:	\$13,346.73
Monthly Payment:	\$212.47	Monthly Payment:	\$222.44
Total Finance Charge:	\$2,748.23	Total Finance Charge:	\$3,346.73
<hr/>			
APR:	14%	APR:	16%
Length of Loan:	60 months	Length of Loan:	60 months
Total Cost of Loan:	\$13,961.02	Total Cost of Loan:	\$14,590.85
Monthly Payment:	\$232.68	Monthly Payment:	\$243.18
Total Finance Charge:	\$3,961.02	Total Finance Charge:	\$4,590.85

1. Which car can Manuel afford?
The car for \$6,000
2. What are the terms of the loan that would allow Manuel to buy a car and still stay within his budget?
A 60-month loan with an APR of 10%
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 that was provided?

how much would you spend? answer key

scenario 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 \$626 each month from her first job, and \$674 from her second job. Her fixed expenses include:

- \$250 for rent
- \$74 for a credit payment on some furniture she bought several months ago

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 computer-based activity “Comparing the True Cost of Loans,” complete the following chart. Then, answer the questions that follow.

how much would you spend? answer key

car for \$4,000 (Amount of loan: \$3,000)

APR:	10%
Length of Loan:	36 months
Total Cost of Loan:	\$3,484.87
Monthly Payment:	\$96.08
Total Finance Charge:	\$484.87

APR:	12%
Length of Loan:	36 months
Total Cost of Loan:	\$3,587.17
Monthly Payment:	\$99.64
Total Finance Charge:	\$587.17

APR:	14%
Length of Loan:	36 months
Total Cost of Loan:	\$3,691.21
Monthly Payment:	\$102.53
Total Finance Charge:	\$691.21

APR:	16%
Length of Loan:	36 months
Total Cost of Loan:	\$3,796.97
Monthly Payment:	\$105.47
Total Finance Charge:	\$796.97

car for \$6,000 (Amount of loan: \$5,000)

APR:	10%
Length of Loan:	36 months
Total Cost of Loan:	\$5,808.07
Monthly Payment:	\$161.34
Total Finance Charge:	\$808.07

APR:	12%
Length of Loan:	36 months
Total Cost of Loan:	\$5,978.59
Monthly Payment:	\$166.07
Total Finance Charge:	\$978.59

APR:	14%
Length of Loan:	36 months
Total Cost of Loan:	\$6,151.96
Monthly Payment:	\$170.89
Total Finance Charge:	\$1,151.96

APR:	16%
Length of Loan:	36 months
Total Cost of Loan:	\$6,328.22
Monthly Payment:	\$175.79
Total Finance Charge:	\$1,328.22

how much would you spend? answer key

car for \$8,000 (Amount of loan: \$7,000)

APR:	10%
Length of Loan:	36 months
Total Cost of Loan:	\$8,131.33
Monthly Payment:	\$225.87
Total Finance Charge:	\$1,131.33

APR:	12%
Length of Loan:	36 months
Total Cost of Loan:	\$8,370.01
Monthly Payment:	\$232.50
Total Finance Charge:	\$1,370.01

APR:	14%
Length of Loan:	36 months
Total Cost of Loan:	\$8,612.79
Monthly Payment:	\$239.24
Total Finance Charge:	\$1,612.79

APR:	16%
Length of Loan:	36 months
Total Cost of Loan:	\$8,859.56
Monthly Payment:	\$246.10
Total Finance Charge:	\$1,859.56

5. Which car can Rose afford?

The car for \$6,000

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

A 36-month loan with an APR up to 16%

7. 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.

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



lesson nine quiz: cars and loans

true-false

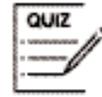
1. _____ Most used cars sold by private parties have a one-year warranty.
2. _____ A service contract is designed to avoid costly repairs as a motor vehicle gets older.
3. _____ The consumer protection law requires that a borrower be informed of the total finance charge.
4. _____ Bodily-injury liability 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 consumer protection law requires that 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

case application

Celine drives a seven-year-old car that recently needed \$1,300 in repairs. Each day, she drives 46 kilometres to and from her job. What actions should she take to decide if she should (1) keep this car, (2) buy a newer used car, or (3) buy a new car?



lesson nine quiz: cars and loans answer key

true-false

1. f Most used cars sold by private parties have a one-year warranty.
2. t A service contract is designed to avoid costly repairs as a motor vehicle gets older.
3. t The consumer protection law requires that a borrower be informed of the total finance charge.
4. f Bodily-injury liability covers the damage to another person's car for which you were at fault.
5. f Collision insurance covers damage caused to a motor vehicle by vandalism or floods.

multiple choice

6. C 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. B _____ warranty refers to the fact that a product will do what it is designed to do.
A. An extended
B. An implied
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8. A The consumer protection law requires that borrowers be informed of the:
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B. cost of auto insurance.
C. features of an extended warranty.
D. reasons a person has been denied credit.
9. D The auto insurance coverage for damage to your vehicle as a result of an accident is called:
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B. comprehensive.
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case application

Celine drives a seven-year-old car that recently needed \$1,300 in repairs. Each day, she drives 46 kilometres to and from her job. What actions should she take to decide if she should (1) keep this car, (2) buy a newer used car, or (3) buy a new car? *Many factors go into this decision. First, Celine must consider her financial situation. Based on a realistic budget, what amount can she afford to spend for buying a different vehicle? Next, will her current car (after the recent repairs) give her reliable transportation? In addition, how do the expected operating costs of the various vehicles compare?*