

Owning a Car Lesson Plan

Overview

In this lesson, students will explore the various costs associated with purchasing and owning a vehicle. Many first-time buyers underestimate the expenses involved in car ownership and it is essential to consider all the costs before making a decision.

Objectives

By the end of the lesson, students will:

- Understand the costs that come with owning a car
- Define different types of insurance
- Calculate the cost of a car loan
- Find the costs that come with specific cars

Vocabulary

- **Insurance** is a practice or arrangement where a company or government agency provides a guarantee of compensation for specified losses, damages, illnesses, or deaths in exchange for a premium payment.
- **Insurance deductible** is the amount you need to pay out of pocket before your insurance kicks in.
- **Insurance Premium** is how much you pay each month for coverage.
- **Down Payment** is an initial payment made when something is bought on credit.
- **Interest Rate** is the proportion of a loan that is charged as interest to the borrower, typically expressed as an annual percentage of the loan outstanding.
- **Maintenance Costs** are the costs incurred to keep an item in good condition or good working order.

Lesson Plan Includes

	Direct Instruction		Presentations
	Class Discussion		Technology-Based Activity
	Full Class Activities		Worksheets
	Small Group Activities		Assessments
	Individual Activities		External Resources

Activity Summary

- Introduction
 - Time: 5 mins
- PFL Budget Game
 - Time: 20 mins.
- The Car Buying Checklist
 - Time: 23 mins.
- Car Insurance: How to Lower Your Rates
 - Time: 14 mins.
- Calculate Your Car Loan Payments
 - Time: 16 mins.
- Car Purchase Research
 - Time 30 mins.
- Car Cost Discussion
 - Time: 15 mins.

Introduction

Explain to students that there are a lot of different costs that come with owning a car.

Introduce but do not define the terms:

- Insurance
- Down Payment
- Interest Rate
- Maintenance Cost

Explain to students:

Today they will be learning about these terms and more. By the end of the lesson, students should have a road map for purchasing and owning a car.

Standards

This listing is based on the Jump\$tart National Standards for Personal Finance.

To see how this lesson aligns with other standards (including for your state), visit:

<https://www.personalfinancelab.com/standards-alignment/>

Spending and Saving

- Standard 3. Describe how to use different payment methods.
- Standard 4. Apply consumer skills to spending and saving decisions.

Financial Decision Making

- Standard 1. Recognize the responsibilities associated with personal financial decisions.
- Standard 2. Use reliable resources when making financial decisions.

Independent Activities

Activities designed for students to learn independently, either in class or as homework. Some activities include presentations if you prefer to use them for direct instruction instead of independent study.

Independent Activities Include:

1. PersonalFinanceLab Budget Game.....**Time: 20 Minutes**
2. The Car Buying Checklist Lesson.....**Time: 23 Minutes**
3. Car Insurance: How to Lower Your Rates Lesson.....**Time: 14 Minutes**
4. Calculate Your Car Loan Payments Calculator.....**Time: 16 Minutes**



1. PersonalFinanceLab Budget Game

Have students complete 20 minutes of the PersonalFinanceLab.com Budget Game.

Time: 20 Minutes

Required Resources: PersonalFinanceLab.com site license & computer access.

Type:  Technology-Based Activity

 Individual Activity/Homework

 Class Discussion

Resource Links

[Budget Game - PersonalFinanceLab](#)

How to Play the Budget Game

[Tutorial Video](#)

Getting Started

1. Before beginning your class's game, browse online classified ads to find a reasonably priced car, and use our Car Loan Calculator (see activity 4) to identify what the monthly payments would be.
2. Use this number in your class Budget Game as the Car Payment bill students will need to pay each month.
3. Next, find a quote for insurance for this hypothetical car, and use this amount for your students' monthly Car Insurance Payment
4. Finally, if your students are in Full-Time Mode, they may encounter an event that invites them to trade in their current car for a new one. Doing so will increase their Quality of Life score, as well as their monthly Car Payment and Car Insurance Payment.
5. Either as a class, or individually, students can watch the [How to Play the Budget Game](#).
6. If your students need more help, there are [Tutorial Videos](#) on every aspect of the Budget Game.

Discussion Questions

1. How did you balance the cost of the car with other financial priorities?
2. How do you think owning a car affects your monthly budget?
3. How do you think the Budget Game has helped you understand the financial implications of owning a car?

Key Takeaway

- Students understand the financial implications of car ownership and develop a more realistic understanding of their monthly budget.



2. The Car Buying Checklist Lesson

Assign your students this lesson on PersonalFinanceLab.com, which breaks down the car-buying process into manageable steps and guides students through a thoughtful decision-making process. As an assessment, students will be required to complete the quiz at the end. If used as homework, consider following up with discussion questions the next day.

Time: 23 Minutes

Required Resources: PersonalFinanceLab.com site license & computer access.

Type:  Technology-Based Activity  Presentation
 Individual Activity/Homework  Assessment
 Class Discussion

Resource Links

[The Car Buying Checklist \(personalfinancelab.com\)](https://personalfinancelab.com).

Presentation

[Buying a Car GoogleSlides Presentation](#)

Discussion Questions

1. What are some costs that come with buying a car?
2. What would be the first step if you were thinking about buying a car?
3. What are the advantages and disadvantages of buying a new car?
4. In your opinion, is having a new or used car better for you and why?
5. Using examples, what do you understand by the term depreciation?
6. If you are to lease or take out a loan to buy a car, how does the down payment affect your payments?
7. Would you rather have a bigger down payment and a smaller monthly payment, or a small down payment and a larger monthly payment?

Key Takeaways

- Establish a budget that considers the **total cost of ownership**: including interest payments and insurance costs. Don't get distracted by low monthly payments.
- **New cars** depreciate quickly due to higher financing charges and lower resale value.
- New cars often have more flexible financing options and manufacturer warranties that cover repairs and replacements for three years.
- **Used cars** may have lower depreciation rates but lack manufacturer warranties and newer technologies.
- Trading in a car can be convenient, but selling privately can result in higher profits if the car is in good condition and popular.



3. Car Insurance: How to Lower Your Rates Lesson

Assign your students this lesson on PersonalFinanceLab.com. This lesson goes over the different types of car insurance and then describes the different factors that might lower or increase your insurance rates. Students will be required to complete the quiz at the end as an assessment. If used as homework, follow up with discussion questions the next day.

Time: 14 Minutes

Required Resources: PersonalFinanceLab.com site license & computer access.

Type:  Technology-Based Activity  Presentation
 Individual Activity/Homework  Assessment
 Class Discussion

Resource Links

[Car Insurance: How to Lower Your Rates \(personalfinancelab.com\)](https://personalfinancelab.com)

Presentation

[Car Insurance GoogleSlides Presentation](#)

Discussion Questions

1. What type of car insurance is required in most states?
2. What type of insurance would you get and why?
3. In your opinion, should every driver or car on the road be insured?
4. Using examples, explain what a deductible is.
5. Explain what is meant by the term premium when discussing insurance.
6. What is the difference between Tort and No fault?
7. In what ways could your actions cause your insurance premium to increase?
8. In what way are you able to reduce your insurance premium?

Key Takeaways

- **Car insurance** is a type of protection that covers damages to your car and others, and it's important to have it to be protected in case of an accident.
- **Liability coverage** pays for another driver's repair costs and medical bills in case of an accident, while collision coverage covers personal vehicle costs.
- **Uninsured motorist coverage** protects you from financial loss if the other driver is uninsured, and **comprehensive coverage** covers damages and repairs not caused by other cars.
- The type and year of your vehicle, your age and gender, and your location can all affect your **insurance rates**.
- By choosing the right coverage, bundling policies, and being a safe driver, you can lower your insurance rates and get the best protection for your needs and budget.



4. Calculate Your Car Loan Payments

Assign your students this calculator on PersonalFinanceLab.com. This helps students figure out the monthly payments of a car loan while helping them learn different terms. They will be required to complete the quiz at the end as an assessment.

Time: 16 Minutes

Required Resources: PersonalFinanceLab.com site license & computer access.

Type:  Technology-Based Activity  Assessment
 Individual Activity/Homework  Class Discussion

Resource Links

[Calculate Your Car Loan Payments \(personalfinancelab.com\)](https://personalfinancelab.com).

Discussion Questions

1. What are some key factors that can affect the monthly payment of a car loan, and how do these factors impact the overall cost of the loan?
2. What are some potential benefits and drawbacks of trading in your old car?
3. How can you use this strategy to your advantage when negotiating the price of a new vehicle?
4. What are some strategies for paying off a car loan quickly?
5. What are some potential risks and benefits of leasing a car versus buying one?

Key Takeaways

- The **interest rate** and **term of a car loan** can significantly affect the monthly payment.
- A higher interest rate or longer term can increase the monthly payment, while a lower interest rate or shorter term can decrease it.
- While longer loan terms may offer lower monthly payments, they can also result in more interest paid over the life of the loan.
- Making a larger **down payment** or trading in a vehicle can reduce the loan amount and monthly payment.
- It's important to factor in any **fees and taxes** into your calculations to get a complete picture of the loan's total cost.
- Online car loan calculators and tools can help you make informed decisions about your car loan by allowing you to experiment with different scenarios and see how they affect your monthly payment and overall cost.

Full Class & Small Group Activities

Small Group Activities are designed for small groups of 3-4 students. These resources are best used after full-class direct instruction and activities.

Small Group Activities Include:

5. Car Purchase Research.....**Time: 30 Minutes**

Full Class Activities are designed for whole-class participation. These are best used along with the direct instruction portion of the lesson.

Full Class Activities Include:

6. Car Cost Discussion.....**Time: 15 Minutes**



5. Car Purchase Research

In this small group activity, students will explore the often-overlooked costs associated with owning a vehicle. By assigning each group a different type of vehicle, your class will get to compare the various expenses that come with car ownership.

Time: 30 Minutes

Required Resources: Worksheet & computer access

Type:  Technology-Based  Class Discussion
 Small Group Activity  Worksheets

Resources

Car Purchase Research Worksheet

Instructions

1. Group students into teams of 3-4 students.
2. Print out one Car Purchase Research Worksheet (page 10) per group.
3. Assign each group a different type of vehicle.
 - **Sports Car** (e.g. Porsche)
 - **Truck or SUV** (e.g. Ram 1500)
 - **Electric Vehicle** (e.g. Tesla Model 3)
 - **Luxury Sedan** (e.g. Mercedes-Benz)
 - **Hybrid Vehicle** (e.g. Honda Civic)
 - **Minivan** (e.g. Chrysler Pacifica)
 - **Pickup Truck** (e.g. Toyota Tacoma)
 - **Convertible** (e.g. Ford Mustang)
 - **Crossover** (e.g. Subaru Outback)
 - **Muscle Car** (e.g. Dodge Challenger)
 - **Compact Car** (e.g. Volkswagen Golf)
 - **Motorbike** (e.g. Harley-Davidson)
 - **Scooter or Moped** (e.g. Vespa)
 - **ATV** (e.g. Polaris)
 - **RV** (e.g. camper van)
4. Each group must research and record the following information for their vehicle.
 - **Purchase Price:** the initial cost of the vehicle.
 - **Monthly Payment:** the amount paid each month to repay the loan or lease.
 - **Interest on Loan/Monthly:** the interest charged on the loan.
 - **Fees, Taxes upon Purchase:** registration fees, title fees, and sales tax etc.
 - **Gas/Month:** the estimated monthly cost of fuel for the vehicle.
 - **Insurance/Month:** the monthly premium for insurance coverage.
 - **Maintenance:** oil changes, tire rotations, and other repairs.
 - **Other:** extended warranties, accessories, or upgrades etc.
5. Have the groups present their research and follow-up with Discussion Questions.

Discussion Question

- Would you recommend this vehicle to someone else? Why or why not?
- What are some potential drawbacks or advantages of owning this vehicle?
- How do you think the vehicle's features and benefits align with the needs and preferences of different individuals or groups? (e.g. families, young professionals etc.)

Car Purchase Research Worksheet

Instructions

Your team has been assigned a specific type of vehicle. Your task is to research the costs associated with owning this vehicle. Please answer the following questions based on your research.

Vehicle Information

Type of Vehicle	
Model & Year	

Questions

1. Is this a new or used car? _____
2. What is the purchase price? _____
3. What fees and taxes are associated with the purchase of this vehicle? (e.g. registration fees, title fees, sales tax etc.) _____
4. What is the estimated monthly cost of fuel for this vehicle? _____
5. What is the monthly premium for insurance coverage? _____
6. What is the estimated monthly payment for this vehicle? _____
7. What is the interest charged on the loan each month? _____
8. What are the estimated maintenance costs? _____
9. Research any other costs that could be included in the purchase price? (e.g. accessories, upgrades, warranties etc.) _____

Total Cost of Ownership

Using the information you have gathered, estimate the total cost of owning this vehicle for one year.

Discussion Question

- Would you recommend this vehicle to someone else? Why or why not?
- What are some potential drawbacks or advantages of owning this vehicle?
- How do you think the vehicle's features and benefits align with the needs and preferences of different individuals or groups? (e.g. families, young professionals etc.)



6. Car Cost Discussion

This will be a teacher led discussion about the different costs that come with owning a car.



Time: 15 Minutes **Required Resources:** notebook or paper and pens

Type:  Full Class Activity  Worksheet  Class Discussion

Instructions

- Give students 2 minutes to write down as many costs that they can think of when owning a car. This includes purchasing and when you actually own the car.
- After the two minutes, ask all the students to stand up.
- Remain standing if they have at least 5 costs, 10 costs, 15 costs, 20 or more.
- Go around the class and have students read one cost off at a time.
- Have them write a check if they have the same cost or add the cost to their list. Do this until all costs have been read.
- After all of the answers have been read, add anything that the students may have missed.

Car Costs List

- **Registration or Tag Fees:** costs associated with registering a vehicle with the state or local government, (registering the vehicle, obtaining a license plate).
- **Title Fees:** costs associated with transferring ownership of a vehicle from the seller to the buyer.
- **Sales Tax:** varies by state, with some cities and counties adding additional taxes.
- **Documentation & Advertising Fee:** charged by the dealership.
- **Add-ons or Accessories:** window tinting, mudflaps etc.
- **Destination Charges or Delivery Free (Freight and PDI):** the cost of transporting new vehicles from the factory to the dealership.
- **Service Plans:** routine maintenance and repairs that are covered for a set period of time.
- **Maintenance Costs:** oil changes, air filter replacements etc.
- **Car Insurance:** premiums vary depending on the vehicle, location and the driver.
- **Warranties or Extended Coverage:** additional protection plans beyond the standard manufacturer's warranty period.
- **Finance Charges:** interest rates, fees, and other charges.
- **Gas Mileage or Fuel Costs:** varies depending on the fuel efficiency and driving habits.
- **Parking or Storage Fees:** ongoing payments after the initial purchase.
- **Tolls:** tax or fee paid for passing over a highway or bridge.
- **Environmental fees:** emissions testing, environmental impact fees etc.
- **Depreciation:** the loss of value in your vehicle due to wear and tear.

Conclusion

Remind students that there are many different costs that come with owning and buying a car. Also, that it is important to think about these costs when thinking about getting a car in order to ensure that you don't go over budget.

Remind students that:

- **Insurance** is a practice or arrangement where a company or government agency provides a guarantee of compensation for specified losses, damages, illnesses, or deaths in exchange for a premium payment.
- **Insurance deductible** is the amount you need to pay out of pocket before your insurance kicks in.
- **Insurance Premium** is how much you pay each month for coverage.
- **Down Payment** is an initial payment made when something is bought on credit.
- **Interest Rate** is the proportion of a loan that is charged as interest to the borrower, typically expressed as an annual percentage of the loan outstanding.
- **Maintenance Costs** are the costs incurred to keep an item in good condition or good working order.