

Money Talks

Should I Be Listening? Leader's Guide

CAR COSTS

This leader's guide is designed to accompany the *Car Costs* teen guide. The leader's guide includes: learning objectives, background information, discussion questions, activities with accompanying handouts and visuals, a glossary, and a list of additional resources. The background information is meant to prepare instructors to both teach the unit and to provide lecture material to cover with the teens. It is recommended that each teen receives a copy of the teen guide and reads it *before* participating in the activities outlined in this guide.

The purpose of this unit is to inform teens about the on-going financial responsibilities of owning a car. While teens often dream about having a car of their own, many fail to consider how they will be able to purchase, insure, operate, and maintain that car. You have an opportunity as an instructor to: inform teens about the car costs they face; help them determine what they can afford; guide them about how to select, shop for, and finance a car; as well as explain the financial, legal and social ramifications that can result from driving.

BACKGROUND INFORMATION

Getting a driver's license is typically a high priority on a teen's wish list. Owning a car is often even higher on their list because of the freedom and convenience it can give them. Unfortunately, teens can get so caught up in the excitement that they overlook the responsibilities and expenses that come with car ownership. ***Second only to credit card debt, the cost to finance, insure, repair, and operate a vehicle is the biggest cause of financial disaster for young people in America*** (Chad Foster, 2005).

Overall Learning Objectives

Teens will:

- Understand the many costs involved in car ownership
- Know that being able to buy a car and being able to afford a car are NOT always the same thing
- Consider how much they can afford to spend on a car
- Identify what their driving needs are
- Understand the advantages and disadvantages of buying a used car, buying a new car, or leasing a car
- Be able to differentiate between a warranty and a service contract
- Discover the different factors that can affect car insurance rates
- Know important driving safety rules
- Understand the costs of irresponsible driving choices



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Did You Know?

- First-time car buyers typically think their car will cost only one-third of its full cost.
(Varcoe, 1999)



The good news is that teens who understand what being a car owner entails BEFORE becoming one can easily avoid financial disaster. They can anticipate car-related costs and select a car that they can afford. In fact, if handled responsibly, owning a car can be an excellent opportunity for teens to develop money management skills and help develop a solid credit history (e.g., being prompt with car loan and gas card payments).

Car Costs

It is common for teens to underestimate car costs. The advertised purchase price of a car is often mistakenly used as a gauge of how much money they will need to own it. ***The purchase price is merely the first of many costs***, most of which are ***on-going*** and ***required*** to safely or legally operate a car.

Car costs can vary greatly between different makes and models of cars. In some instances, a car that is cheaper to purchase may cost more to own than a more expensive car, once the costs to insure, operate, and maintain it are considered. Similarly, a car that costs more to buy may end up being cheaper to own in the long run.

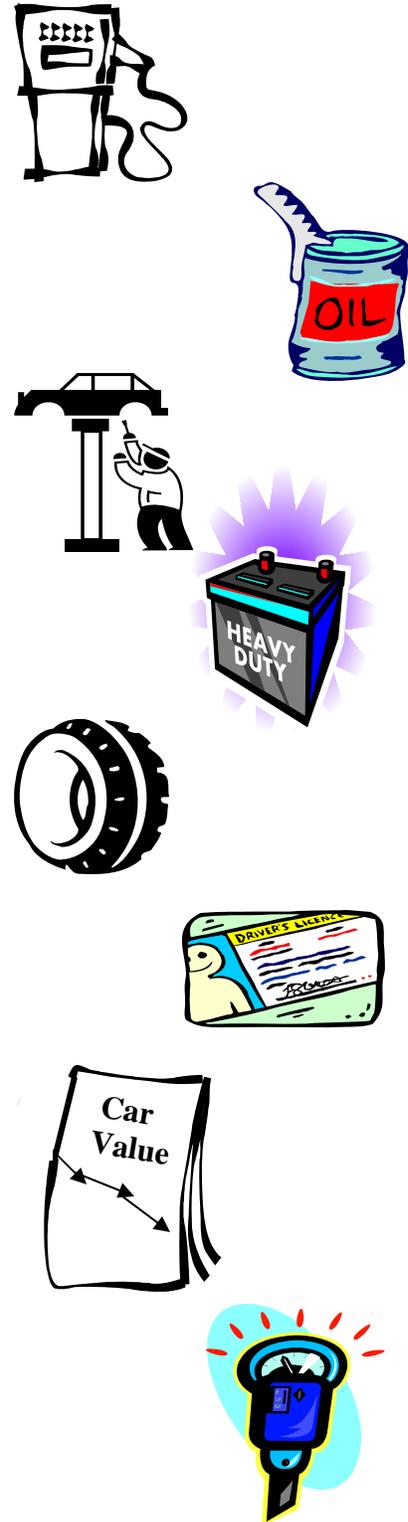
Car costs to consider include:

- **Purchase price**—The cost to buy a car—whether paid as a lump sum with cash, or in monthly loan payments—plus sales tax, title fees, and financing costs.
- **Insurance**—The amount of money required to pay for a car insurance policy. Car insurance is required by law, with each state setting a minimum coverage amount. Insurance rates for teens are normally quite costly. Rates are based on many criteria, including: age, gender, marital status, type of car, value and age of car, location, driving record, grades in school, frequency of use, and type of use. The cost of insurance varies between different car makes and models and may limit the kind of car that a car buyer can afford. (*See the Insurance Basics section on the next page for detailed information or the “Insurance Talk” section on pp. 5–6 of the Car Costs teen guide*).

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- **Gasoline**—The amount of money needed to keep gas in a car. Fuel efficiency varies greatly between car makes and models and can significantly affect the monthly gas bill.
- **Maintenance and Repairs**—The amount of money needed to keep a car in safe running order—including regular maintenance (e.g., tires, oil-changes, tune-ups, brakes) and unscheduled repairs.
- **Registration**—The annual fee to register a car with the Department of Motor Vehicles. These fees, which are required by law, vary depending on the make, model and age of the car.
- **Depreciation**—The loss of value over time. A new car can lose 20% or more of its value in the first year. (Motley Fool, 2005)
- **Legal Violation Penalties**—The amount of money required to pay for legal violations (e.g., speeding tickets, parking tickets, fix-it tickets), as well as legal fees resulting from serious violations (e.g., attorney fees, fines).
- **Miscellaneous**—The amount of money needed to cover additional car related costs (e.g., parking fees, toll road fees, etc.).



Insurance Basics

There are six major components of auto insurance coverage. Teens need to consider each area when shopping for a policy.

1. **Liability Coverage**—pays for injury to other people and damage to their property when the insured person causes an accident. Every state requires that all drivers have minimum liability coverage. In California, the minimum coverage is 15/30/5.

Liability insurance coverage is written in three numbers, such as 15/30/5 or 100/300/100. Each number represents thousands of dollars. For example, 15/30/5 represents \$15,000/\$30,000/\$5,000. The first two numbers refer to bodily injury (someone is hurt); the third number is for property damage.

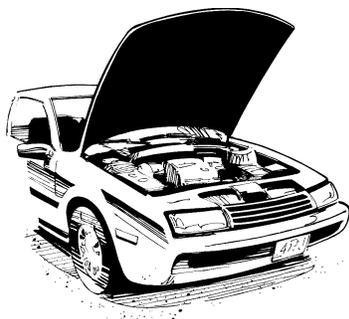
Car Costs



A policy written as 15/30/5 means that for an accident the insured person causes, their insurance will pay up to \$15,000 for bodily injury per person, but no more than \$30,000 for all persons. This coverage will also pay up to \$5,000 property damage per accident.

2. **Uninsured Motorist Coverage**—pays for bodily injury to the insured person and their passengers if there is an accident caused by someone who does not have liability insurance. This coverage also pays if another person causes the accident and they don't have enough insurance to pay the insured person's medical expenses. Teens may even want to buy the deductible waiver coverage so they won't have to pay the deductible when an uninsured motorist hits them.

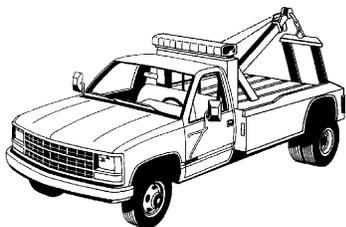
3. **Medical Coverage**—pays the insured person's medical costs if they are at fault in an accident. This coverage should be considered if the person does not have separate medical coverage and cannot afford hospital bills.



4. **Comprehensive Coverage**—pays for damage to the insured person's car caused by theft, wind, vandalism or any means other than a collision. This coverage will help pay for repairs or replacement of the vehicle after they pay the deductible.

5. **Collision Coverage**—pays for damage to the insured person's car caused by a collision. If they crash their car, this insurance would help pay to repair or replace the vehicle, after they pay the deductible.

6. **Towing & Road Service Coverage**—pays the cost to tow a car to a repair shop. Usually very inexpensive, towing insurance could be a good investment if this coverage is not provided in the car's auto warranty or through an automobile club.



Car Costs



The Deductible

A deductible is the amount a driver has to pay to repair damage to their car before their insurance company will pay a cent. The deductible can be as little as \$50 per incident, or as high as \$1,000 per incident. The smaller the deductible the higher the insurance rates, since the insurance company will pay more to repair the car if the deductible is low.

Choosing the highest deductible a driver can afford will save money on insurance premiums.

Factors that increase insurance costs:

- **Gender**—statistics show males have more accidents than females, therefore insurance rates are higher for boys and men.
- **Age**—drivers under age 25 will have higher rates. Again, statistics show that young drivers are more likely to be in an accident than drivers over age 25.
- **Amount of driving**—the more a driver is behind the wheel, the more likely they are to have an accident. Insurance rates go up for those who drive a lot.
- **Living in a big city**—insurance costs more in a city than in the country. When a lot of cars drive in the same area, there are bound to be more accidents.
- **Driving record**—drivers who have received traffic tickets or caused accidents have higher insurance rates than those who have clean driving records.
- **Type of car**—the more likely a car is to be stolen, the higher the insurance premiums. Sports cars and expensive cars are stolen more often than less expensive family cars. Check the Internet for a list of the most frequently stolen cars. Another consideration is how expensive the car is to repair. The more expensive it is to repair, the higher the insurance premiums will be.

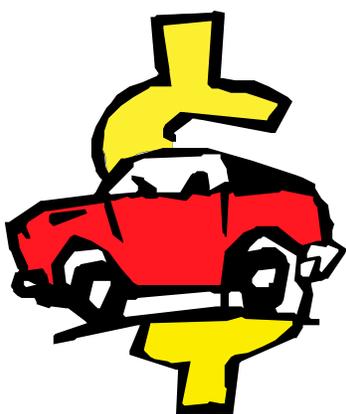


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To Keep Rates Down

- **Maintain good grades.** Many insurance companies give a discount for students who have a B average or better in school.
- **Add to parents' insurance policy.** Insurance is usually cheaper if a teen is added to their parents' policy rather than buying their own.
- **Comparison shop.** Before buying a new car, call insurance companies to find out how much the car will cost to insure. It may be that something as simple as getting a model with four doors rather than two can save money. Ask about discounts. Compare the coverage and rates from at least three companies to find the best deal.
- **Ask for higher deductible.** The higher the deductible the lower the insurance premium. Ask for the highest deductible that is affordable.
- **Reduce coverage on older cars.** Think about canceling collision and/or comprehensive coverage on older cars. The insurance company will only pay what the car is worth not what it is insured for.



How to Choose a Car

With so many tempting cars to choose from in the marketplace, making a wise decision about which one to buy can be a challenge. All too often, car buyers select cars based on what they want—rather than what they need and can afford—and end up with regrets. While the car that many buyers need and can afford may not be as sporty or as loaded with features as they had hoped for, chances are that it will be a car that serves their lifestyle and allows them to maintain control of their finances.

Car Costs



What Can Teens Afford?

Being able to buy a car is not the same thing as being able to afford a car. A car is affordable only if the sum of all car costs is manageable. For example, a car that is paid for in full is not affordable if the owner can't manage to pay the insurance premiums for it. If a car requires every last cent to pay for monthly payments and insurance but leaves nothing left over to pay for registration, maintenance and repair costs, it is not affordable.

Car buyers can determine the maximum amount of money they are able to safely spend on a car by carefully reviewing their budget. (See *Savings Made Simple* unit for more budgeting tips.) It is important for teens to take into account upcoming events that may affect their income (e.g., moving out on their own may increase living expenses, starting college may require them to work fewer hours which will reduce income, etc.). Those who buy a car that is more expensive than they can realistically afford may end up having to spend all their time and energy trying to pay for their car costs rather than enjoying their car, focusing on school, spending time with family and friends, playing sports, etc. And they may find they are unable to handle the expenses and lose their cars.

⇒ Car Loans

Ideally, a car should be bought entirely with cash. Buying it this way eliminates monthly payments and can save thousands of dollars that would otherwise be paid in interest. However, not everyone can afford to do that, especially teens. A commonly used alternative to paying cash (for those eighteen years old and over) is borrowing money and making monthly payments on a loan.

Buying a car with a car loan is so universally accepted today that car ads rarely state the price of a car. Instead, ads state the minimum monthly payment required to buy the car.

Did You Know?

- A car budget should include both fixed and flexible car costs.

Fixed costs include:

- ⇒ Loan payment
- ⇒ Insurance
- ⇒ Fees
- ⇒ Taxes

Flexible costs include:

- ⇒ Operating (gas)
- ⇒ Routine maintenance (preventative, safety precautions)
- ⇒ Smog testing
- ⇒ Money set aside for unexpected repairs
- ⇒ Parking or toll fees that may arise
- ⇒ Upgrades on car (wheels, moon roof, stereo system, etc.)



Did You Know?

- Finance rates for used cars are usually higher than those for new cars.
- Some lenders will not approve loans for cars that are older than five years old.
- Late or missed auto loan payments can seriously damage a credit score.
- There are three major credit reporting agencies that are commonly used by lenders, car dealers, and insurance companies to obtain information on someone's credit history:

⇒ **Equifax:**
PO Box 105873
Atlanta, GA 30348
(800) 685-1111
www.equifax.com

⇒ **Experian:**
PO Box 20002
Allen, TX 75013
(888) 397-3742
www.experian.com

⇒ **Trans Union:**
PO Box 390
Springfield, PA
19064-0390
(800) 888-4213
www.transunion.com

This approach is great for the car business. After all, buying a car for a payment of \$180 a month sounds a lot more affordable than buying a car for \$15,000. What car buyers may not consider however, is how much the car will have cost them when it is paid for.

It is easy to be dazzled by an “affordable” monthly car payment, however, ***the smaller the monthly payment, the longer it will take to pay back the loan. The longer the life of the loan, the more interest will be paid. The more interest that is paid, the larger the amount of money wasted.***

It is important for car buyers to stick to their own budget even if they “qualify” to borrow a lot more. Lenders are not concerned about what a car buyer can really afford; rather they are interested in making a profit. Car buyers who borrow more than they can handle are left to deal with the financial mess on their own.

Note: See the “Keys to Credit” unit in the Money Talks—Should I Be Charging? series for more information on debt ratios, interest rates, shopping and qualifying for a car loan, and more.



Car Costs



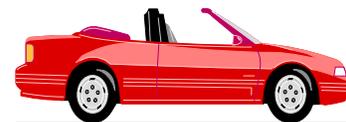
What Do Teens Need?

A decision about which car to buy can be overwhelming. There are so many types of cars to choose from, including: sports cars, compact cars, minivans, family sedans, pickup trucks, SUVs, station wagons, luxury sedans, and full size vans. Each type comes with all kinds of options, such as: manual or automatic transmission, two-door or four-door, two-wheel drive or four-wheel drive, manual or power door locks and windows, basic radio or upgraded stereo system, cloth seats or leather seats, hard-top or convertible.

It is important for a car buyer to consider what their driving needs will be. Although many may consider “looking cool” or “off roading” to be needs, real driving needs are based on how and for what the car will be used. For example, it doesn’t make sense for a teen who needs to haul lawn equipment around for a part-time yard maintenance job, to buy a sporty little hatchback that can’t hold a mower. Or a person with a long commute to work may not want a large gas-guzzler.

Car buyers can ask themselves the following questions to determine their driving needs:

- **How will I use my car?** (e.g., To commute to work? To take friends to school or the beach? To haul things in? To tow things with?)
- **What type of driving will the car be used for?** (e.g., City driving? Highway driving? Off-roading? Mountain roads? Snowy, icy weather?)
- **How many miles, on average, will I drive a week (month, or year)?** Gas mileage can vary significantly between different types of cars and can dramatically affect gas costs. (e.g., A small compact car may get 26 mpg while a full-size truck may get 13 mpg.)
- **What are my limitations?** (e.g., Can I drive a car with a manual transmission or is an automatic transmission necessary? Can it fit into the garage space? How much money do I have to spend on gas?)



Did You Know?

- It is a good idea to have a mechanic look over a used car before buying it.



- It is wise for a car buyer to get a report on the Vehicle Identification Number (VIN) of a used car to see if it has been in any wrecks BEFORE buying it.
- A car buyer can obtain a vehicle history report by using services such as: carfax.com or autocheck.com



Used Car or New Car?

Other questions car buyers face are whether to buy a car used or new, or whether to lease it. There are pros and cons to each option. The choice often depends on the car buyer's financial situation. While some car buyers may only be able to start off buying an economical used car, knowing their options can help them with future purchases.

Used Cars

Buying a used car can be a smart option for car buyers of all ages. While buying a used car may be the only option available for those who can't afford the most basic new car, people of all socio-economic levels can benefit from buying a car used. In fact, nearly 40% of all millionaires choose to buy used cars rather than new ones. (Foster, 2005)

Advantages to buying a used car include:

- During the first year, used car buyers avoid the initial depreciation costs of a new car, which can be up to 30% of its value.
- With the same amount of money, used car buyers can get a nicer car, with more options, than they would get if they bought a new car.
- Used cars cost less to insure than new ones.

Disadvantages to consider before buying a used car include:

- The most maintenance-free time of a car's life is during the first two years.
- A used car may not have the latest safety or technical features.
- Some used cars may not have been properly maintained by the previous owner or may have hidden defects with limited or no warranty coverage.

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New Cars

Some car buyers may consider that “new car smell” as one of the advantages of buying a new car. However, more practical advantages include:

- New cars offer the latest technology and safety features, colors, and body styles.
- New cars carry no risk of past mistreatment by previous owners.
- New cars are covered by a warranty.

Disadvantages to consider before buying a new car include:

- New cars have higher purchase prices.
- New cars depreciate in value as soon as they are driven off the dealer’s lot.
- New cars are more expensive to insure and register.

Leasing

Leasing has become a popular alternative in the past several years. Reasons include:

- Leasing a car allows a person who is unable to afford a new car, to drive a new car at a reduced monthly price.
- Leasing a new car does not require a long-term investment (only a 1- or 2-year commitment).
- Leasing a car requires less money upfront with monthly lease payments that may be less than loan payments.

Disadvantages of leasing a new car include:

- Having nothing to show for the money spent when the lease ends.
- Being left without transportation when the lease is up.
- Having to pay penalties for lease violations that include: driving more miles than the lease permits (usually 12,000/year), or for damage (both minor and major) to the vehicle.



Did You Know?

- Most purchases made from a merchant are covered by an “implied warranty” unless the seller states in writing that implied warranties do not apply. The most common type of implied warranty is called a “warranty of merchantability.” This means that the seller promises that the product will do what it is supposed to do.
(Federal Trade Commission, 2002)
- If a vehicle does not come with a written warranty, it is still covered by an implied warranty unless it has been sold with an “AS IS” disclosure.
(Federal Trade Commission, 2002)



Warranties

The warranty on both new and used cars should be given careful consideration. In many cases, the warranty reflects the level of faith the manufacturer or seller has in a car.

Warranties are included in the price of a car and can offer car buyers peace of mind that they will not be spending money on costly repairs, if only for a short time.

New cars include a manufacturer’s warranty. These warranties *usually* offer broad coverage for a minimum of three years or 36,000 miles, whichever ever comes first. When deciding between similar cars that are comparably priced, a superior warranty can be a deciding factor.

Used cars may or may not be sold with a warranty. Those sold without one are considered “as is” sales. A car sold “as is” means that the buyer is responsible for any problems or repairs that occur. Newer used cars may still carry the remaining portion of the manufacturer’s warranty, while others can carry a warranty offered by a dealer. Dealer warranties can vary in the length and coverage.

“Extended” warranties are often offered on new and used cars. However, because they cost extra and are sold separately, they are more accurately known as *service contracts*. Service contracts extend or add to a car’s warranty coverage. Carefully consider the terms of a contract before purchasing it as they can be pricey and may duplicate the manufacturer’s coverage.

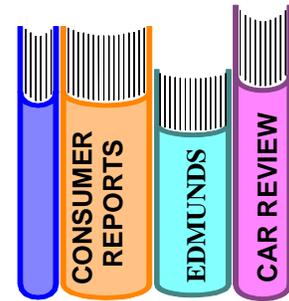
Before Shopping

Car buyers can make shopping for a car a successful, pleasant experience by doing a little homework before heading out the door. Knowing what is available and narrowing the field of choices down before starting out will save time looking at cars that are not affordable or practical for their needs. Being knowledgeable about their choices can empower car buyers during the shopping and negotiating process and may prevent them from making a bad deal.

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There are several consumer information sources that discuss the price and reliability of new and used cars (e.g., Consumer Report, Kelley Blue Book, Edmunds) available on the Internet, in libraries, bookstores, lending institutions, insurance agencies, etc. Car buyers can compare their list of driving needs and what they can afford to the information in the guides to get an idea about which cars would be a good match. They can then estimate the costs to insure and repair those cars to see which ones are still possibilities.



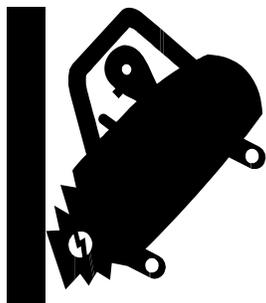
Safety

While car ownership can be very expensive, the ultimate price of having a car can be a human life—the driver's and/or the lives of others. In addition to being prepared financially to own a car, it is important to be prepared to operate it safely. Safety precautions for drivers of all ages to observe include:

- Wear a seatbelt and insist that ALL passengers wear one
- Avoid distractions when driving (e.g., talking on a cell phone, eating, changing the radio)
- **Never drink and drive.** And don't let someone else drive who has had alcohol or drugs, including prescribed medications that may cause drowsiness
- Avoid driving when tired
- Never drag race or provoke other drivers
- Follow posted speed signs
- Adjust speeds for bad weather
- Maintain a safe following distance by allowing a three second distance between drivers (the "three second rule")
- Know the blind spots on the vehicle being driven
- Always use turn signals when changing lanes or turning a corner

Did You Know?

- Teenage drivers have very high rates of both fatal and nonfatal crashes compared with older drivers. (Insurance Institute on Highway Safety, 2005)
- Teenagers' crashes and violations are more likely to involve speeding than those of older drivers. (IIHS, 2005)
- In 2004, 18% of teenagers' fatalities occurred between 9 pm and midnight, and 22% occurred between midnight and 6 am. 54% of teenagers' fatalities occurred on Friday, Saturday, or Sunday. (IIHS, 2005)
- People who talk on cell phones while driving, even using "hands-free" devices, are as impaired as drunk drivers. (Reuters, 2006)
- Some states have made it mandatory for drivers to use hands-free cell phone adaptors. Check with your state DMV office for laws that are specific to your state.



Opening Discussion Questions

- What kind of car do you plan to buy first (or next)?
- How will you decide which car to buy (or you want to buy)?
- How much money does owning a car cost?
- What can happen if you are an irresponsible car owner?

The Costs of Irresponsible Car Ownership

Driving and car ownership come with a huge responsibility to use good judgment. The costs can be high for those who don't. Damage with long-lasting effects can occur, including:

Property Damage

- Drivers who fail to properly maintain their car can create the need for larger, more expensive repairs.
- Drivers who are not careful, responsible drivers can damage their personal property and that of others.

Damage to Human Life

- Drivers can hurt or kill themselves and others with reckless or inattentive driving. In addition, failing to properly maintain their cars can create dangerous driving conditions for drivers and others on the road (e.g., not replacing bald tires may result in a blowout on the freeway that can cause a wreck).

Financial Damage

- Car owners can damage their credit record by not keeping up with their car loan payments.
- Car owners who buy more car than they can afford or underestimate their car costs may jeopardize their ability to maintain their budget.
- Car owners may have to sacrifice personal time spent with friends and family or doing things that they enjoy in order to work enough hours to pay for their car.

Damage to Future Plans

- Drivers can damage future opportunities by incurring legal driving violations. (e.g., An employer may not hire an applicant with a DUI - Driving Under the Influence violation.)

Car Costs



ACTIVITY ONE: CAR COSTS

Estimated Activity Time: 60 minutes

In this activity, teens will learn about car costs. They will learn about all the different expenses involved with car ownership. Then, they will calculate car costs based on different scenarios. Finally, teens will be asked to research and calculate car costs on the car they are interested in buying.

Getting Ready Checklist

- Copy Handouts #1, #2, and #3 for each teen
- Set up projector
- Have computers with online capabilities available

Doing the Activity

1. Begin the lesson by letting teens know that, **“Second, only to credit card debt, the cost to finance, insure, repair and operate a vehicle is the biggest cause of financial disaster for young people in America”** (Chad Foster, 2005). Assure them that people who understand all the expenses related to owning a car BEFORE buying one can avoid financial problems.
2. Explain that being able to purchase a car does NOT necessarily mean that they can afford it. Then, go over the “Car Costs” section on pp. 2–3 of the leader’s guide background information and include:
 - The purchase price is the first of many costs
 - Car costs vary between different makes and models of cars
 - Car costs include: purchase price, insurance, gas, maintenance and repairs, registration, depreciation, and legal violation penalties

Learning Objectives

- Teens will know the many costs involved in car ownership
- Teens will know that being able to buy a car and being able to afford a car are NOT always the same thing
- Teens will understand that car costs can vary greatly between different cars

Supplies Needed

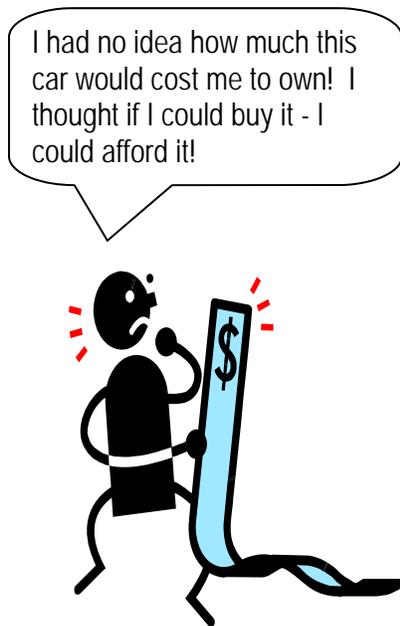
- Handout #1 (p. 34)
- Handout #2 (p. 35)
- Handout #3 (p. 36)
- Answer Key for Handout #2 (p. 45)
- Computers with online capabilities
- “How to Buy A Car” video/ DVD/online
- Projector

Related Games on Money Talks Website moneytalks4teens.org:

- Gassing Up



Car Costs



3. Distribute Handout #1 and discuss the information to give teens an idea about required maintenance for a car and how frequently it needs to be done. Break teens into three groups. Have each group discuss one of these car costs: new battery, oil and filter change, replace windshield wiper blades. Encourage them to estimate the cost for the item and how they could save money on these expenses. Have the smaller groups share with the whole group their discussion about the typical costs for batteries, oil and filter changes, and wiper blade replacements and saving strategies. *(Note to instructor: If possible, cost out these maintenance costs in your area and share your findings at the end of this activity. Ask teens to share their reactions to the real costs.)* (Handout #1, p. 34)

4. Go over the “How to Choose a Car” section through the “What Can Teens Afford?” part (which includes the Car Loans portion) on pp. 6–8 of the background information, including:
 - Being able to buy a car is not the same thing as being able to afford a car
 - A car is affordable only if the sum of all car costs is manageable
 - Car buyers can determine the maximum amount of money they are able to safely spend on a car by carefully reviewing their budget

5. Pass out Handout #2 to teens and explain to them that they will need to determine car costs based on the scenario. (Handout #2, p. 35)

6. Go over the answers as a group using Answer Key for Handout #2. Encourage the teens to discuss what they would do if offered the same situation. What other transportation options are available to them that could help them decide? (Answer Key for Handout #2, p. 45)

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7. Give a copy of Handout #3 to each teen. If Internet access is available, have teens log on to the “True Cost To Own” calculator on Edmunds.com, at <http://www.edmunds.com/apps/cto/CTOintroController> (or just go to <http://www.edmunds.com> and scroll down to the True Cost To Own option). (This site calculates costs on vehicle models less than 6 years old.) Give each teen an opportunity to look up a vehicle of their choice and use their information to complete Handout #3. *Note: Teens may complete more handouts for additional cars if time permits.*

If computers with Internet access are not available, teens can complete Handout #3 on their own time and the discussion can be held the following day. (Handout #3, p. 36)

8. When they are finished, ask each teen to share their research about the car they chose. Encourage teens to comment on their findings (e.g., is it much more expensive than they anticipated, about what they thought, or more affordable than they thought?) and whether this information may alter their expectations regarding which cars they can afford.
9.  If Internet access is available, the game *Gassing Up* on the Money Talks website can be used as an additional activity. *Gassing Up* can be found online at moneytalks4teens.org by selecting “Games” from the button on the left side of the home page.
10.  To summarize the lesson show the “How to Buy A Car” DVD. Discuss as a group.

~The assessment tools provided with each leader’s guide are intended for the leaders to use at their discretion. Depending on the group of teens, the leaders may want to use the assessments as additional activities, homework, or as a means to determine a formal grade for completing the unit.

Car Costs



ACTIVITY TWO: WHICH CAR IS RIGHT FOR YOU?

Estimated Activity Time: 60 minutes

In this activity, teens will learn how to choose a car for themselves. They will identify their “driving needs,” and evaluate if the vehicle they want meets these needs. First, teens will analyze the driving needs of three individuals and determine the type of car that would fulfill those needs. Then, teens will look over a list of car options and select those that meet their needs. Finally, they will evaluate whether or not the cars they want would fulfill their driving needs.

Getting Ready Checklist

- Copy Handout #4a and #4b for each pair of teens
- Copy Handout #5 and #6 for each teen

Doing the Activity

1. Begin by engaging teens in a brief discussion by asking the following questions:
 - What kind of car do you plan to drive?
 - What made you choose that car?
2. Go over the first paragraph in the “How to Choose a Car” section on the bottom of p. 6 of the leader’s guide background information, as well as the “What Do Teens Need?” portion of that section on p. 9, including:
 - All too often, car buyers select cars based on what they want—rather than what they can afford.
 - It is important for a car buyer to consider what their driving needs will be.

Learning Objectives

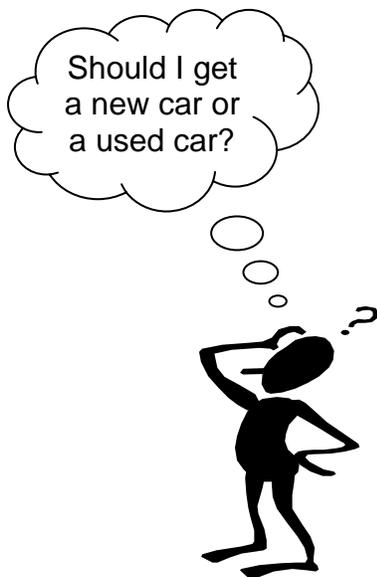
- Teens will identify what their driving needs are
- Teens will learn how to select a car to buy based on their driving needs
- Teens will understand the advantages and disadvantages of buying a used car and new car
- Teens will understand the advantages and disadvantages of leasing a car

Supplies Needed

- Handout #4a (p. 37)
- Handout #4b (p. 38)
- Handout #5 (p. 39)
- Handout #6 (p. 40)
- Answer Key for Handout #4a (p. 47)
- Answer Key for Handout #4b (p. 48)



Car Costs



- Car buyers can ask themselves the following questions to determine their driving needs:
 - ⇒ How will I use my car?
 - ⇒ What type of driving will the car be used for?
 - ⇒ How many miles on average will I drive?
 - ⇒ Can I drive a stick shift or does it need to be automatic?
- 3. Divide teens into twos and pass out Handouts #4a and #4b to each pair. Ask them to read and discuss the three scenarios. Have the pairs select a type of car that would fit each of the driver's needs. (Handouts #4a and #4b, pp. 37–38)
- 4. When they are finished, ask several groups to share their answers with the class. After a couple of the groups have shared, ask if anybody has a different answer. If so, ask them to share and explain their answer. (Answer Keys for Handouts #4a and #4b, pp. 47–48)
- 5. Pass out Handout #5 to each teen. Ask them to consider the following questions when completing the handout:
 - How will I use my car?
 - What type of driving conditions will the vehicle be used in?
 - How many miles, on average, will I drive a week?
 - What other driving needs should I consider?(Handout #5, p. 39)
- 6. Next, pass out Handout #6 to each teen. Ask them to complete it, keeping the driving needs they selected on Handout #5 in mind. (Handout #6, p. 40)
- 7. Encourage each teen to share whether or not the car they want would truly fulfill their driving needs.

Car Costs



8. Explain to teens that once they have selected the type of car they want, they will have to decide whether they will buy it new or used. Go over the “Used Car or New Car” section of the background information on pp. 10–11, including:
 - Advantages and disadvantages to buying a used car
 - Advantages and disadvantages to buying a new car
 - Advantages and disadvantages to leasing a car

9. Then, go over the “Warranties” section of the background information on p. 12 with teens and explain why it is important to know what kind of warranty a car has, before purchasing it. Discuss the following:
 - The warranty reflects the level of faith the manufacturer or seller has in a car
 - New cars include a manufacturer’s warranty
 - Used cars may or may not come with a warranty
 - Warranties that come with a vehicle are always free
 - An extended warranty is optional and is sold for a price
 - An extended warranty is really a service contract
 - Consider the terms of an extended warranty before purchasing one, they can be pricey and may duplicate the manufacturer’s coverage

10. Finally, share sources of consumer information about car buying by going over the “Before Shopping” section on p. 12 of the leader’s guide background information, including:
 - Being knowledgeable about choices can empower car buyers during the shopping and negotiating process and may prevent them from making a bad deal
 - There are several consumer information sources that discuss the price and reliability of new and used cars (e.g., Consumer Report, Kelly Blue Book, Edmunds) available on the Internet, in libraries, bookstores, lending institutions, insurance agencies, etc.

~The assessment tools provided with each leader’s guide are intended for the leaders to use at their discretion. Depending on the group of teens, the leaders may want to use the assessments as additional activities, homework, or as a means to determine a formal grade for completing the unit.

Car Costs



ACTIVITY THREE: INSURANCE COSTS

Estimated Activity Time: 45 minutes

In this activity, teens will gain an understanding of car insurance—why they need it, how much they need, and how much it may cost. They will determine how different factors can affect insurance rates.

Getting Ready Checklist

- Copy Handouts #7a and #7b for each pair of teens
- Copy of *Car Cost* teen guide for each teen

Doing the Activity

1. Begin by asking teens to review what the different costs involved in car ownership are (e.g., monthly payments, insurance, gasoline, maintenance, registration, depreciation, legal violation penalties, and miscellaneous fees). Emphasize that *most of these costs vary depending on the car they choose - especially car insurance.*
2. Ask teens to follow along with the “Insurance Talk” section on pp. 5–6 of their *Car Costs* teen guide, while you review the information. Stress that *all states require a minimum amount of liability insurance by law*, although the amount varies by state. Reiterate that insurance rates are based on many criteria including: age, gender, marital status, type of car, value and age of car, location, driving record, grades in school, frequency of use, and type of use.

Learning Objectives

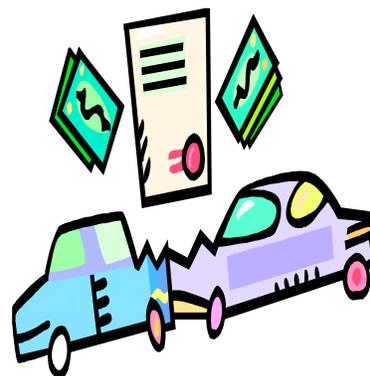
- Teens will discover different factors that can affect car insurance rates

Supplies Needed

- *Car Costs* teen guide
- Handout #7a (p. 41)
- Handout #7b (p. 42)
- Answer Key for Handout #7a (p. 49)
- Answer Key for Handout #7b (p. 50)

Related Games on Money Talks Website moneytalks4teens.org:

- What Will an Accident Cost?



Car Costs

3. Divide teens into twos and distribute Handouts #7a and #7b to each pair. Explain that they will answer questions about how different factors affect insurance costs. (Handouts #7a and #7b, pp. 41–42)
4. After teens have finished, go over the answers. (Answer Key for Handouts #7a and #7b, pp. 49–50)
5. Ask teens to break into small groups and complete the case study on the top of p. 6 in the *Car Costs* teen guide. Discuss their answers with the entire group.
6.  If internet access is available, the game *What Will An Accident Cost?* on the Money Talks website can be used as an additional activity. This game can be found online at moneytalks4teens.org by selecting “Games” from the button on the left side of the home page.



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Car Costs



ACTIVITY FOUR: SAFETY MATTERS

Estimated Activity Time: 45 minutes

In this activity, teens discuss safety rules and how driving irresponsibly can be costly. Then, teens will learn the costs of drinking and driving.

Getting Ready Checklist

- Copy Handouts #8 and #9 for each teen
- Copy Visual #1 to display using a projector
- Set up projector
- Have computers with online capabilities (optional)

Doing the Activity

1. Begin by asking teens what safety tips they would recommend for safe driving. If any of the following are not mentioned, include them in the discussion:
 - Wear safety belts
 - Avoid distractions while driving
 - Never drink and drive
 - Don't use a cell phone (talking or texting)
 - Don't program an MP3 player
 - Don't drive when tired
 - Never drag race
 - Follow posted speed signs
 - Adjust speeds for bad weather
 - Maintain a safe driving distance between vehicles
 - Know the blind spots on the vehicle being driven
 - Always use turn signals for changing lanes and turning corners.

Learning Objectives

- Teens will learn important driving safety rules
- Teens will understand the costs of irresponsible driving

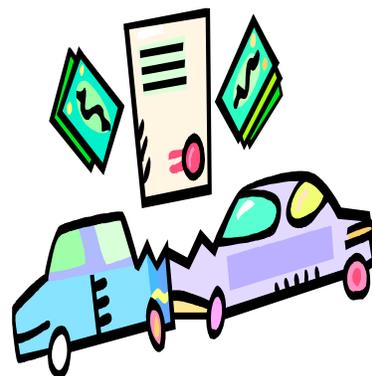
Supplies Needed

- Handout #8 (p. 43)
- Handout #9 (p. 44)
- Computers with online capabilities (optional)
- Visual #1 (p. 33)
- Projector

Related Games on Money Talks Website

moneytalks4teens.org:

- Paying the Price - The Cost of Drinking and Driving



Car Costs

2. Review “The Costs of Irresponsible Car Choices” section on p. 14 of the background information, including:
 - Driving and car ownership come with the responsibility to use good judgment
 - Irresponsible drivers can damage their personal property and that of others
 - Drivers can hurt or kill themselves and others with reckless or inattentive driving
 - Poor driving records and poor budgeting choices can lead to money problems
 - A bad driving record can hinder future employment options
3. Distribute Handout #8 and explain why it is important to know what to do if they are involved in an accident, whether or not they caused it. Go over each step and encourage teens to share additional ideas or personal experiences they may have had with a car accident and how it was handled. (Handout #8, p. 43)
4. Finally, pass out Handout #9 and point out that in addition to the ultimate price of harming themselves or others by drinking and driving, the financial cost can be devastating. (Handout #9, p. 44)

OR



Have teens go to the Money Talks website at moneytalks4teens.org, play the *Paying the Price—The Cost of Drinking and Driving* game by selecting “Games” from the button on the left side of the home page.

5. Encourage teens to discuss how to handle a situation when they are with a friend who should not drive. What options are available to ensure the friend does not drive?
6.  *Extend the lesson—Comparing Auto Safety*
Ask teens to visit www.safercar.gov and compare the safety ratings for two cars that they would consider buying. Have them share with the group by graphing their findings on Visual #1. (Visual #1, p. 33)



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Car Costs



Additional Resources

- *Autocheck.com* is Experian Automotives' website. This site uses the National Vehicle Database for vehicle history information for more than 500 million vehicles.
<http://www.autocheck.com>
- *California Department of Motor Vehicles* provides state rules for transferring ownership of a vehicle, vehicle registration, drivers license application process and publications such as the *California Driver Handbook*.
<http://www.dmv.ca.gov>
- *CarBuyingTips.com* is a car buying guide for buying new cars, used cars, auto leasing and avoiding scams. It includes articles and links on all aspects of car ownership including: purchasing and selling, extended warranties, credit and financing, safety, insurance, and market value pricing.
<http://www.carbuyingtips.com>
- *Carfax.com* provides vehicle history information for any used car or light truck by using a Vehicle Identification Number or title documents. Reports include: title information, including salvaged or junked titles, flood damage history, total loss accident history, odometer readings, lemon history, state emissions inspection results, number of owners, service records, lien activity, and/or vehicle use (taxi, rental, lease).
<http://www.carfax.com>
- *Cars.com* combines inventory search tools with pricing information, photo galleries, buying guides, side-by-side comparison tools, original editorial content and reviews to help consumers connect with sellers.
<http://www.cars.com>
- *Edmunds* provides market value pricing, unbiased car reviews, ratings, and expert advice to help get a fair deal when buying or selling a car. The *True Cost to Own* section includes all the costs associated with buying, owning and operating a car over a five-year period.
<http://www.edmunds.com>

Additional Resources *cont.*

- The *Federal Trade Commission's* car section includes links to publications that give advice on avoiding scams and rip-offs, as well as tips on other car-related topics.
<http://www.ftc.gov>
- *Money Talks* is a financial literacy website for teens available in both English and Spanish. It contains downloadable versions of 10 money management teen guides, interactive games, simple exercises, videos and links to other financial websites. Teens can send questions to \$am, the in-house financial advisor, and wait for an answer to be posted to the site. Teachers/leaders have access to a special section of the site containing leader's guides for each unit, research articles, and additional links.
<http://moneytalks4teens.org>
- The *National Highway Traffic Safety Administration's* mission is to save lives, prevent injuries and reduce economic costs due to road traffic crashes, through education, research, safety standards and enforcement activity.
<http://www.nhtsa.gov>
- **Safercar** is a government supported website that provides safety ratings for all cars, trucks, vans and SUVs. Teens can look up any vehicle manufactured since 1990 and the website will provide a safety rating in the form of stars. One star is the lowest rating and five stars is the highest rating.
<http://www.safercar.gov>

Car Costs



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Car Costs Glossary

Collision Coverage Insurance coverage that pays for damage to the insured person's vehicle caused by a collision.

Comprehensive Coverage Insurance coverage that pays for damage to the insured person's vehicle by theft, wind, vandalism or any means other than a collision.

Deductible The amount the insured person will have to pay to repair damage to their vehicle before their insurance company will pay.

Depreciation The loss of value over time.

DMV An abbreviation for the Department of Motor Vehicles.

DUI Driving Under the Influence of alcohol or drugs.

DWI Driving While Intoxicated.

Insurance A method for transferring and reducing risk through pooling resources with a large number of individuals through an insurance company to share in the financial losses suffered by members of the group.

Leasing A legal agreement to make monthly payments for the use of a vehicle over a set period of time. At the end of the lease term, the vehicle is returned to the leasing company.

Liability Coverage Insurance coverage that pays for injury to other people and damage to their property when the insured person causes an accident.

MPG An abbreviation for "miles per gallon" - the number of miles a car can be driven on one gallon of gas.

Car Costs



Car Costs Glossary *cont.*

Registration The annual fee to register a car with the Department of Motor Vehicles.

Service Contract (often referred to as an Extended Warranty) A separate warranty sold to extend or augment a car's warranty coverage.

Three Second Rule A rule for maintaining a safe distance between cars. It states that there should be at least a three second distance between cars. The distance changes at different speeds. To determine the right following distance, a driver should select a fixed object on the road ahead (e.g., a tree, sign, bridge). When the vehicle ahead of them passes the object, the driver should count "one one thousand, two one thousand, three one thousand." If the driver reaches the object before "three one thousand" they are following too closely. Additional time should be added for bad weather conditions and heavy traffic.

Uninsured Motorist Coverage Insurance coverage that pays for bodily injury to the insured person and their passengers should they be in an accident caused by someone who does not have liability insurance. It also pays if another person causes the accident and they don't have enough insurance to pay your medical expenses.

VIN An abbreviation for "vehicle identification number" - an individual number that is permanently assigned to every vehicle in the United States. Consumers can use this number to check the history of a vehicle before purchasing it.

Warranty A guarantee of a product by a manufacturer or seller for a stated amount of time. These warranties are included in the purchase price of the item. Car manufacturer warranties *usually* offer broad coverage for a minimum of three years or 36,000 miles, whichever comes first.



This publication has been anonymously peer reviewed for technical accuracy by University of California scientists and other qualified professionals. This review process was managed by the ANR Associate Editor for Youth Development.

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Money Talks...Should I Be Listening? Is a series of five teen and leader's guides designed for teens. The topics and subject matter content are based on the results of a survey completed by teens. The goals of these teen guides and leader's guides are to assist teens in 1) identifying their money spending and saving habits; 2) understanding the importance of long-term savings, and 3) developing savings plans that meet their lifestyles. Comments regarding these teen guides and leader's guides can be addressed to: Consumer Economics Department, University of California Cooperative Extension (UCCE), 135 Building C, Highlander Hall, Riverside, CA 92521. Author: Susan Cortz, Senior Writer, UC Riverside; Development Team: Shirley Peterson, Margaret Johns, and Charles Go and UCCE Money Talks Workgroup. 2007

Car Costs



How Safe Is Your Car?

Driver Safety Rating



Vehicle #5

Vehicle #4

Vehicle #3

Vehicle #2

Vehicle #1



Car Costs

CAR MAINTENANCE SCHEDULE					
Maintenance Procedure	Every Month	3,000 Miles	6,000 Miles	12,000+ Miles	Note
Battery and Cables					Check for secure connections. Replace when needed.
Belts					Replace when showing signs of excessive wear.
Brakes					Check brake linings, rotors and drums.
Chassis Lubrication					If required, some cars no longer require this service.
Check Engine Light On					Take to mechanic for evaluation.
Coolant					Change annually.
Oil and Filter					Check manual for frequency and oil grade and weight.
Engine Air Filter					Replace annually.
Exhaust					Inspect for leaks, damage & broken supports or hangers.
Fuel Filter					Replace filter every 24k miles (for fuel injection).
Hoses					Replace if leaking/cracked/rusted/swollen/restricted.
Lights					If light is out, check fuse first and then change bulb.
Power Steering Fluid					Add if low—inspect for leaks. Replace if contaminated.
Spark Plugs					Replacement intervals can range from 30k - 100k miles.
Steering and Suspension					Inspect system annually. Replace if leaks, damage, or loose mounting hardware are found.
Tire Inflation & Condition					Check pressure & tread. Replace if worn / damaged.
Transmission Fluid					Add if low, change every 24,000 miles.
Windshield Washer Fluid					Add if low.
Wiper Blades					Replace if cracked, torn, streaking or chattering.

Car Costs



The Costs of Car Ownership



Gina is an eighteen-year-old college student living on campus. Although her parents pay for her tuition and living expenses, she works part-time in the Science Library on campus and takes home approximately \$7.00/hour after taxes.

When Gina turned sixteen, her parents let her use her Mom's 2003 compact car. Now that Gina is a college student and they are paying for her college expenses, her parents told Gina that if she wanted to keep driving the car, she would have to pay for her own car costs.

Gina's dad gave her a log that showed the car's expenses from the last year. This gave Gina an idea how much the car would cost her. Even though the car was paid for and there was no car payment, Gina was shocked to see how expensive being a car owner would be. The yearly costs (not including depreciation) were as follows:

- Insurance \$1,526.00
- Gasoline \$995.00
- Maintenance / Repairs \$1,198.00
- Registration \$66.00

Answer the questions based on the following scenario.

1. How much did Gina's car cost last year? _____
2. Based on last years costs, how much money will the car cost Gina per month? _____
3. How many hours per month will Gina have to work just to cover her car costs?

4. What additional car costs will Gina likely face as a college student?



Car Costs



What Is the True Cost to Own the Car of Your Dreams?

Use the “True Cost to Own” calculator at <http://www.edmunds.com/apps/cto/CTOintroController> to answer the following questions.

1. What vehicle make, model, and year do you want to buy? _____

2. What is the total cash price of the car? \$ _____

3. What are the costs for the following: **Year 1** **5 Year Total**

Depreciation	\$ _____	\$ _____
Financing	\$ _____	\$ _____
Insurance	\$ _____	\$ _____
Taxes & Fees	\$ _____	\$ _____
Fuel	\$ _____	\$ _____
Maintenance	\$ _____	\$ _____
Repairs	\$ _____	\$ _____

3. What is true cost to own this car for one year? \$ _____
For five years? \$ _____
4. Is this car worth the amount it will cost to own it? Explain.

5. Can you afford this car? Explain. _____

Car Costs



Which Type of Vehicle Is Best?



The individuals below are looking to buy vehicles. Read each scenario and identify their driving needs. Then suggest the type of vehicle that you feel would best meet those needs.

Example:

Jason is twenty-one years old and recently moved 200 miles away from his hometown to accept a great job. He moved into a little condo, which was perfect for him, except for the tiny garage space. While he is happy with his decision to move, he often drives home to see family and friends. His big thirteen-year-old gas-guzzling truck needs to be replaced.

Jason needs a car that *is fuel efficient for his frequent 400 mile round-trips and compact so that it can fit into his tiny garage space.*

A good choice of car for Jason would be *a compact car.* (Note: answers will vary.)

Scenario 1

Ryan is a seventeen-year-old high school junior with a knack for landscaping. For the last three years he has taken care of his neighbors' lawns as a way of earning money. He has been asked by friends and family if he will do their lawns. But he was unable to because his parents work and he had no transportation for himself and his equipment. Now that he can drive, he wants to expand his business to save more money for college.

Ryan needs a car that _____

A good choice of car for Ryan would be _____



Which Type of Vehicle Is Best? *continued*

Scenario 2

Kelly is an eighteen-year-old high school graduate. She is a talented cello player and earned a partial music scholarship to a university 35 miles away. She lives at home and commutes to school every day. She is a good driver but is not comfortable driving a stick shift.

Kelly needs a car that _____

A good choice of car for Kelly would be _____

Scenario 3

Sarah is sixteen and the oldest of five siblings. Her family lives a couple miles out of town in a mountain community that has severe winters. Her parents agreed to get her a car on the condition that she help drop off and pick up her brothers and sisters from their activities when they needed her help.

Sarah needs a car _____

A good choice of car for Sarah would be _____

Car Costs



What Are Your Driving Needs?

Indicate the features your car must have to meet your driving needs and those features you simply want.



	NEED	WANT	NEITHER	EXPLAIN
Sporty Looking				
Good Gas Mileage				
Power Windows				
Air Conditioning (A/C)				
Cargo Space				
Leather Seats				
4-Wheel Drive				
Good Safety Record				
Heavy Towing Capacity				
5 Passenger				
6-7 Passenger				
6 Cylinder				
8 Cylinder				
Convertible				
Upgraded Sound System				
Seat Warmers				
4 Door				
Sunroof				
Roof Rack				
Automatic Transmission				
CD Player				

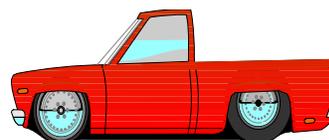
Do You Want the Car You Need?



1. What kind of car do you want to buy? _____

2. Can that car meet your driving needs? Explain. _____

3. What other type of car(s) would meet your needs? _____



Car Costs



Insurance Costs



Read each scenario and answer the following questions to see how different factors can affect insurance rates.

Scenario 1

Mark, age sixteen, had saved almost all of the money he earned working for the last two years to buy a new truck. He finally has enough to make a down payment for the new truck he wants. However, his Uncle Tim just offered to sell Mark his 10-year-old truck for less than the down payment of the new truck. Besides not having a car payment, Mark knew that he could buy only liability insurance with an older, less expensive car.

Mark didn't know what to do! He really wanted a brand new vehicle, but knew his uncle's truck was well-maintained and reliable—not to mention being a lot more affordable. Before making a decision, Mark checked the insurance rates for both trucks. His six-month premium for full 100/300/100 coverage on the new truck costs \$2,288.00, and \$1,485.00 for the 10-year-old truck. Liability-only coverage for the same amount would be \$712.00 for the older truck. These rates include discounts for a clean driving record and being a good student.

1. How much more would it cost Mark to fully insure the new truck rather than his Uncle's truck for one year?

2. How much money would Mark save this year if he bought liability coverage only instead of full coverage on his Uncle's truck? _____
3. What would you do if you were Mark? Explain. _____

Scenario 2

Kristen just turned seventeen years old. For her birthday her parents told her they would help her buy a used car. After many weeks of looking at cars, Kristen narrowed her choices down to two cars. Both were 2005 compact cars that had similar features, mileage, and asking price. The main difference between them was that one was a two-door and the other was a four-door. She couldn't decide which one she wanted more.



Car Costs

Insurance Costs *continued*

When Kristin called to find out what her insurance premiums would be for both cars, she had assumed they would be approximately the same. She was shocked by how much more the two-door was than the four-door. She also found that it didn't cost that much more to get extra coverage for either car. A six month-premium for full 15/30/5 coverage on the two-door was \$2,083.00, and \$1,536.00 for the four door. A six month-premium for full 100/300/100 cost \$2,186.00 for the two-door and \$1,678.00 for the four-door.

1. How much more would it cost Kristen per year to insure the two-door coupe than the four-door with 15/30/5 coverage? _____ Why does it cost more?

2. How much more would the four-door coupe cost to insure *per month* with 100/300/100 coverage instead of the 15/30/5 coverage? _____
3. What are the pros and cons of purchasing greater coverage? _____

Scenario 3

Maria is an eighteen-year-old college freshman. Her parents agreed to help her pay for a car, but told her she would have to pay for her own insurance. Her dad's friend owned a car dealership and told them that he would give them a great deal on a used car on his lot. After looking around, Maria and her dad disagreed on which car to get. Maria wanted a 2004 sports car, and her dad wanted her to have a bigger, safer 2004 family sedan. Both were in good condition, affordable, and had fairly low mileage.

To help them decide Maria's dad suggested that she check on how much the insurance premiums would be for both cars. Maria expected that since they were both 2004 cars they would be comparable. Instead, she was told that *a* six-month premium for the sports car would be \$2,334.00, as opposed to \$1,416.00 for the same amount of coverage for the family sedan.

1. How much more would it cost Maria to insure the sports car for a year than the family sedan for a year? _____
2. Why do you think the sports car is so much more? _____

3. How could Maria and her dad compromise? _____

Car Costs



After an Accident



1. Stop your car
2. Call 911 immediately if anyone is hurt or the vehicle(s) cannot be removed from traffic lanes
3. Move vehicle(s) out of traffic lanes if no one is injured or killed
4. Get the make, model and license number of all the cars involved
5. Get the name, license number and insurance company of all the drivers involved
6. Do not admit guilt or discuss fault with other drivers
7. Keep a camera in your glove box—take pictures of the scene

If the Accident Is Serious and Officers Respond

1. Get the name and badge number of all officers
2. Request a field sobriety test for all drivers if you feel it is needed
3. Cooperate with the police and other drivers

PAYING THE PRICE



The Cost of Drinking & Driving

Costs	Description
\$100	Restitution Fund
\$125	DMV License Reissue Fee
\$156	Booking, Fingerprinting, and Photo Fee
\$187	Tow and Impound Fee (minimum)
\$468	Fines (minimum)
\$500	Alcohol Education Class
\$780	Penalties - These vary by county from \$663 to \$858. The average is \$780.
\$2,500	Attorney and Legal Fees (fees will vary)
\$7,300	Auto Insurance Increase - This figure represents a minimum increase in insurance costs, over a six-year-period, to a male motorist with 10 years driving experience. Your costs could be much higher!
\$12,116	Total Cost - *Note these are minimum figures. Factors that could increase them include the driver's age, sex, previous record, related injuries or deaths, amount of property damage, value of car, etc.

Other Ways to Spend \$12,116

48 MP3 Players	606 DVDs	9 Laptop Computers	1,102 Movie Tickets
713 Large Pizzas	3,462 Gallons of Gas	7 College Semesters	201 Pairs of Jeans
1,730 Fast Food Meals	2,202 Specialty Coffees	12,754 Music Downloads	404 Video Games

Car Costs



The Costs of Car Ownership



Gina is an eighteen-year-old college student living on campus. Although her parents pay for her tuition and living expenses, she works part-time in the Science library on campus and takes home approximately \$7.00/hour after taxes.

When Gina turned sixteen, her parents let her use her mom's 2003 compact car. Now that Gina is a college student and they are paying for her college expenses, her parents told Gina that if she wanted to keep driving the car, she would have to pay for her own car costs.

Gina's dad gave her a log that showed the car's expenses from the last year. This gave Gina an idea of how much the car would cost her. Even though the car was paid for and there was no car payment, Gina was shocked to see how expensive being a car owner would be. The yearly costs (not including depreciation) were as follows:

- Insurance \$1,526.00
- Gasoline \$995.00
- Maintenance / Repairs \$1,198.00
- Registration \$66.00

Answer the questions based on the following scenario.

1. How much did Gina's car cost last year? **\$3,785.00**
 $(\$1,526.00 + \$995.00 + \$1,198.00 + \$66.00 = \$3,785.00)$
2. Based on last years costs, how much money will the car cost Gina per month? **\$315.42**
 $(\$3,785.00 / 12 \text{ months} = \$315.42)$
3. How many hours will Gina have to work just to cover her car costs? **45 hours/month**
 $(\$315.42 / \$7 \text{ per hour} = 45 \text{ hours})$
4. What additional car costs will Gina likely face as a college student? **Parking fees, additional gas costs to travel back home. (Note: answers will vary.)**

 Car Costs



Which Type of Vehicle Is Best?



The individuals below are looking to buy vehicles. Read each scenario and identify their driving needs. Then suggest the type of vehicle that you feel would best meet those needs.

Example:

Jason is twenty-one years old and recently moved 200 miles away from his hometown to accept a great job. He moved into a little condo, which was perfect for him, except for the tiny garage space. While he is happy with his decision to move, he often drives home to see family and friends. His big thirteen-year-old gas-guzzling truck needs to be replaced.

Jason needs a car that *is fuel efficient for his frequent 400 mile round-trips and compact so that it can fit into his tiny garage space.*

A good choice of car for Jason would be *a compact car.* (Note: answers will vary.)

Scenario 1

Ryan is a seventeen-year-old high school junior with a knack for landscaping. For the last three years he has taken care of his neighbors' lawns as a way of earning money. He has been asked by friends and family if he will do their lawns. But he was unable to because his parents work and he had no transportation for himself and his equipment. Now that he can drive, he wants to expand his business to save more money for college.

Ryan needs a car that *has the cargo capacity to hold his lawn equipment and a strong enough engine to haul it.*

A good choice of car for Ryan would be *a pick-up truck, such as a mid-size pick-up truck.* (Note: answers may vary.)

Which Type of Vehicle Is Best? *continued*

Scenario 2

Kelly is an eighteen-year-old high school graduate. She is a talented cello player and earned a partial music scholarship to a university 35 miles away. She lives at home and commutes to school every day. She is a good driver but is not comfortable driving a stick shift.

Kelly needs a car that *has an automatic transmission, gets good gas mileage and has a trunk or back seat large enough to easily get her cello in and out of.*

A good choice of car for Kelly would be *a mid-size four-door car.* (Note: Answers will vary.)

Scenario 3

Sarah is sixteen and the oldest of five siblings. Her family lives a couple miles out of town in a mountain community that has severe winters. Her parents agreed to get her a car on the condition that she help drop off and pick up her brothers and sisters from their activities when they needed her help.

Sarah needs a car that *has four-wheel drive to handle snowy mountain roads and is large enough to accommodate a minimum of five people.*

A good choice of car for Sarah would be *a mid-size SUV.* Note: Answers will vary.)

Car Costs



Insurance Costs

Read each scenario and answer the following questions to see how different factors can affect insurance rates.



Scenario 1

Mark, age sixteen, had saved almost all of the money he earned working for the last two years to buy a new truck. He finally has enough to make a down-payment for the new truck he wants. However, his Uncle Tim just offered to sell Mark his 10-year-old truck for less than the down payment of the new truck. Besides not having a car payment, Mark knew that he could buy only liability insurance with an older, less expensive car.

Mark didn't know what to do! He really wanted a brand new vehicle, but knew his uncle's truck was well-maintained and reliable—not to mention being a lot more affordable. Before making a decision, Mark checked the insurance rates for both trucks. His six-month premium for full 100/300/100 coverage on the new truck costs \$2,288.00, and \$1,485.00 for the 10-year-old truck. Liability-only coverage for the same amount would be \$712.00 for the older truck. These rates include discounts for a clean driving record and being a good student.

- How much more would it cost Mark to fully insure the new truck rather than his Uncle's truck for one year? **\$1,606.00**
 $(\$2,288.00 - \$1,485.00 = \$803.00, \$803.00 \times 2 = \$1,606.00)$
- How much money would Mark save this year if he bought liability coverage only instead of full coverage on his Uncle's truck? **\$1,546.00**
 $(\$1,485.00 - \$712.00 = \$773.00, \$773.00 \times 2 = \$1,546)$
- What would you do if you were Mark? Explain. *Answers will vary.*

Scenario 2

Kristen just turned seventeen years old. For her birthday her parents told her they would help her buy a used car. After many weeks of looking at cars, Kristen narrowed her choices down to two cars. Both were 2005 compact cars that had similar features, mileage, and asking price. The main difference between them was that one was a two-door and the other was a four-door. She couldn't decide which one she wanted more.

Insurance Costs *continued*

When Kristin called to find out what her insurance premiums would be for both cars, she had assumed they would be approximately the same. She was shocked by how much more the two-door was than the four-door. She also found that it didn't cost that much more to get extra coverage for either car. A six month-premium for full 15/30/5 coverage on the two-door was \$2,083.00, and \$1,536.00 for the four door. A six month-premium for full 100/300/100 cost \$2,186.00 for the two-door and \$1,678.00 for the four-door.

1. How much more would it cost Kristen *per year* to insure the two-door coupe than the four-door with 15/30/5 coverage? ***\$1,094.00*** ($\$2,083.00 - \$1,536.00 = \547.00
 $\$547.00 \times 2 = \$1,094.00$) Why do you think it costs more? *Answers may vary.*
2. How much more would the four-door coupe cost to insure *per month* with 100/300/100 coverage instead of the 15/30/5 coverage? ***\$23.67 per month*** ($\$1,678.00 - \$1,536 = \142,
 $\$142.00 / 6 \text{ months} = \23.67)
3. What are the pros and cons of purchasing greater coverage? *Answers will vary.*

Scenario 3

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1. How much more would it cost Maria to insure the sports car for a year than the family sedan car for a year? ***\$1836.00*** ($\$2,334.00 - \$1,416.00 = \918.00, $\$918.00 \times 2 = \1836.00)
2. Why do you think the sports car is so much more? ***It is a powerful, fast, sports car that may tempt teens to speed.*** (Note: answers may vary)
3. How could Maria and her Dad compromise? ***They could try to find a mid-size car in between a sports car and family sedan, or get a small or medium SUV.*** (Note: answers may vary.)