

True Cost of Car Ownership



LESSON TITLE:

"True Cost of Car Ownership: Understanding All Aspects of Owning and Operating a Vehicle and How That Fits Into Your Budget. "

Introduction:

This lesson gives the students a reality check on what it takes to truly own a vehicle. The students pick a new car and then a used car. Students then compare and contrast the differences between the true cost of owning a new and used vehicle.

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Econ/Personal Finance Standards:

Evaluate the true cost of owning a vehicle.

Standard: *Make wise consumer purchasing decisions and avoid fraudulent financial practices.*
CR.11.B.2 Construct and use a personal spending/savings plan and evaluate it according to short- and long-term goals.

Key Concepts:

- Understanding the true cost of owning a vehicle.
- Incorporates concepts of depreciation, gas, taxes and licensing, maintenance, repairs, insurance, comparing differences between buying a new and used car

Vocabulary:

- Depreciation
- Taxes and Fees
- Financing
- Fuel
- Insurance
- Maintenance
- Repairs

Resources:

Essential Question covered: Brainstorm how to decide if purchasing a car will fit into your financial plan. Students will need to think about all the factors that will influence this decision.

- Personal Financial Literacy, Pearson Education, Inc./Prentice-Hall Publishing, 2010 ©. Jeff Madura, Mike Casey, Sherry J. Roberts, authors. Chapter(s) XXX, Pages XX-XX.
- Adapted from Dave Ramsey True Cost of Ownership worksheet

Identify Internet websites with URL and brief description used or referenced to complete this lesson. ➤ <http://www.edmunds.com/tco.html>

Process:

Students are instructed to think about the vehicle they would like to own: a new car and a used car. I like them to use the same model and options for consistency.

Students are instructed to go to the [Edmunds.com](http://www.edmunds.com) website, scroll towards the bottom and click on the "true cost of ownership."

I pass out the worksheet that will ask them the information regarding both vehicles.

Conclusion:

After completing their worksheets students are instructed to compare and share. They are asked to share with two other students.

Assessment Activity:

The next day, before going on to the next lesson, students need to send me an email defining depreciation and how it impacts the True Cost of Ownership. The students need to tell me what they learned from the exercise.

Extension Activity:

The extension activity is to graph using Excel or Google Spreadsheets. The students could get into groups of three and graph compare three different vehicles to allow for students to see how make and models make a difference.

Name: _____ Date: _____

WORKSHEET

"True Cost of Car Ownership"

Brand New Car:

	Year 1	Year 2	Year 3	Year 4	Year 5
Depreciation					
Taxes and Licensing					
Financing					
Fuel					
Insurance					
Maintenance					
Repairs					
Total					

Used Car:

	Year 1	Year 2	Year 3	Year 4	Year 5
Depreciation					
Taxes and Licensing					
Financing					
Fuel					
Insurance					
Maintenance					
Repairs					
Total					

1. What is your Total Cost to Own on a new vehicle? _____
2. What is your Total Cost to Own on a used vehicle? _____
3. What is the difference in Year 1 between:
 - a. Insurance _____

- b. Repairs _____
 - c. Depreciation _____
 - d. Financing _____
4. Take your total for year 1 and divide by 12. Does that number fit into your budget?
- a. New _____
 - b. Used _____
5. Define Depreciation.
6. Which category do you lose the most the value?
- a. How much?
 - New _____
 - Used _____
 - b. What year?
 - New _____
 - Used _____
7. What year does depreciation have a minimal change from year to year comparison?
- New _____
 - Used _____
8. At what year is it most cost effective in factoring in depreciation?
- a. New _____
 - b. Used _____
9. What percent is your financing to your Total Cost?
- a. New _____
 - b. Used _____

10. As the vehicle ages, what happens with repairs and maintenance costs? Why do you think that is?

11. In looking for a vehicle, what have learned in this exercise?

Optional:

- a. Using Excel Graph your charts.
- b. Or get into a group of three and chart your depreciation and financing total over 5 years include your partner's vehicles.