

C1 Buying or Leasing a Vehicle

- Understand vehicle purchase options
(Buy , Lease, Lease-to-own)
- Explain factors that relate to purchasing a vehicle
- Calculate the total cost & total interest of purchasing a vehicle
- Compare different options for purchasing a vehicle

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Buy, Lease, Lease-to-own

Owning a Vehicle Chart

Use the blue text paragraph on pg. 170 of your textbook to help you complete the "Purchasing a Vehicle Chart" provided. Write down the important information related to each type of purchasing option.

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Think-Pair-Share

"What factors should you consider when shopping for a vehicle?"

Record class results in xMind.

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Practice

Consider the factors we just discussed to help you answer the following questions.

Text pg. 176: 6,7

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Buying a Vehicle

A dealership offers 0% financing for 3 years on a \$12,000 dollar vehicle.

- a) What is the total cost of the vehicle including tax?

- b) If you would like to pay for the vehicle by making monthly payments, then how much would the monthly payments be?

- c) If you had saved \$4000 for a down payment, then how much would the monthly payments be?

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Practice: Buying a Vehicle

A dealership offers 0% financing for 2 years on a \$16,000 dollar vehicle.

- a) What is the total cost of the vehicle including tax?

- b) If you would like to pay for the vehicle by making monthly payments, then how much would the monthly payments be?

- c) If you had saved \$6000 for a down payment, then how much would the monthly payments be?

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Monthly Payments

You ask the bank to give you a loan to purchase a vehicle listed at \$16,000 plus tax. The bank offers you a loan that charges 3.5% interest over 4 years.

- What is the total amount that you need to borrow from the bank (Loan Amount)?
- Use technology to determine the monthly payments including interest.
(Google Search: *Auto Loan Calculator Bankrate*)

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Practice

- Use technology to determine the monthly payment for each situation.

	Amount Borrowed	Interest Rate	Term
a)	\$15 000	1.9%	3 years
b)	\$15 000	1.9%	6 years
c)	\$15 000	6.9%	3 years
d)	\$15 000	6.9%	6 years

Text pg. 175: 2

What is the advantage of having a longer term?

What is the disadvantage of having a longer term?

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Total Cost & Interest Paid

You find a used car listed for \$8000 plus G.S.T. There is an option to finance the car at 4% interest for 3 years.

- a) What is the monthly payment for the financing option stated?

- b) Determine the total amount paid when financing.

- c) Determine the total interest paid when financing.

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Practice: Total Cost & Interest Paid

You find a used car listed for \$9500 plus G.S.T. There is an option to finance the car at 3% interest for 2 years.

- a) What is the monthly payment for the financing option stated?

- b) Determine the total amount paid when financing.

- c) Determine the total interest paid when financing.

Practice: pg. 175: 1,4,5

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Buying a New Vehicle (Text pg. 177)

Erin has been working as a cabinetmaker for several years and is starting her own business. She needs a car to meet with clients, and she has decided that she can afford a new car. Details of the pricing are in the table.

- a) What is the total cost of the car, including taxes?
- b) Erin decides to get a car loan for 60 months. Her monthly payment will be \$439.96.
- What is the total amount Erin will have paid for the car when it is paid off?
 - What is Erin's cost to finance the car? That is, how much will she pay in interest?
- c) The interest rate on the loan is 2.9%. If Erin saves \$1500 for a down payment, how much money will she have to borrow? How will this affect her monthly payment?
- d) If Erin's car depreciates 15% each year, how much will her car be worth when it is paid off? Create a graph to show how much the car is worth each year after it depreciates 15%. In which year will the car depreciate the most?

Standard Vehicle Price	\$18 999
Extra Options Package	\$1 150
Freight and PDI	\$1 450
Licence (not taxable)	\$140

A down payment on a car is applied to the total cost of the car after taxes have been calculated.

F.Y.I.

Freight and PDI (pre-delivery inspection) are costs that are added to all new car purchases. This charge covers the cost to ship the car to the dealership and inspect the car once it gets there.

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Practice

Board Work - pg. 179: Your Turn

Individual - pg. 180: 1a, 2, 3, 7

Think About It! (Question #3b)

How does the length of a loan affect the monthly payment?

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Leasing a Vehicle (Text pg. 183)

Matt plans to lease a new car. His lease agreement allows him to drive 20 000 km per year. Matt's monthly payment will be \$246.53 for four years.

- a) When leasing a vehicle, there is always some money due upon delivery. Matt has to pay a delivery fee of \$156.95 plus the first month's payment. What is the total cost Matt has to pay before he can take the car home?
- b) If Matt drives more than 20 000 km per year, he will pay 12¢ per kilometre. Matt drives 87 248 km over the four-year lease term. How much does Matt owe when he returns the car to the dealer?
- c) Since he has gone over his allotted kilometres, Matt decides to buy the car at the end of the lease instead of returning it. This way, he does not have to pay for the extra kilometres. The residual value of the car at the end of the lease term is \$9905.70. To buy the car, the interest rate is 7%, and Matt takes the loan out for two years. How much will Matt pay in total for this car?

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Practice

Text pg. 186: 3 - 5 (Hand-in / Go-over #4)

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Summary

Buy

- you purchase the vehicle and own it.
- if you don't have enough money to purchase, there are often financing options. You pay off the loan by making monthly payments.
- Financing costs more because of interest charges.

Lease

- leasing a vehicle is like renting it. You pay monthly payments for the use of the vehicle.
- Before using the vehicle you often have to pay a delivery fee and the first month's payment.
- There are usually restrictions on the # of kilometers you may drive per year. If you drive above this there will be an extra charge.

Lease-to-Own

- at the end of a lease you may have an option to purchase the vehicle for the residual value.
- The residual value is the estimated value of the car at the end of the lease.

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Group Activity

Each group must determine the final cost of the car for their assigned purchasing option.

Be prepared to present your work to a different group.

You have found a car you like listed for \$13,000 plus tax.

There are three purchasing options that are available:

1. Down payment & Financing

- you've saved up for a \$3,000 down payment and will finance the remaining at an interest rate of 4% over 3 years.

2. Financing

- you will finance the full amount of the car at an interest rate of 4% over 3 years

3. Lease-to-Own

- you have to pay delivery fees of \$130 and then monthly payments of \$215 for two years. At the end of the two years you decide to purchase the vehicle. The residual value is \$9,000 and you finance this amount at an interest rate of 4% over one year.

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Practice

Text pg. 186: 8

Text pg. 189: 4, 6

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