

PEAK DISCOVERY ACTIVITY 2c: Purchase, Own, and Maintain Your Car

Understand ALL the real costs of owning and operating an automobile.

Choose the car you want to own and drive

Go Find It ◇ *Go to one of the following web sites,*

<http://www.carprice.com>

<http://www.edmunds.com>

<http://www.autotrader.com>

...to find actual used cars in your area as well as the cost of new cars. You may also use your local newspaper for car prices. *(Click the links above, or copy, or type them into your web browser.)*

Make:

Model:

Year:

Price:

Most people don't pay cash for a car. They get a loan from a bank.

Go Find It ◇ *On the web,* go to <http://www.bankrate.com> (click "Auto" on the main page) and you'll find the Annual Percentage Rate for car loans. You can also find APR in the newspaper or by calling local banks. *(Click the link above, or copy, or type it into your web browser.)*

When you pay back the loan, you pay it over a number of years, usually one payment per month over 4 or 5 years. Each payment includes some of the money you borrowed and some interest. Interest is additional money you pay to the bank for the service of loaning you the money. It's like the cost of the money you borrowed. Interest is computed using the APR, or annual percentage rate interest.

Annual percentage rate:

Compute your monthly loan payment

Go Find It ◇ *On the web,* go to https://www2.usbank.com/cgi_w2/cfm/auto/payment_calculator.cfm or <http://www.bankrate.com/brm/auto-loan-calculator.asp> or <http://www.frograte.com/calculators/auto/> to find online calculators for computing loan payments. You can use these online calculators, or your teacher may help you use a regular financial calculator. *(Click the links above, or copy, or type them into your web browser.)*

To compute a car payment (or any other loan payment) requires some business math. Most people use a calculator. You'll use a calculator on the web. Before you click, remember the price of your car and the APR above. You'll need them for the calculation. If you have trouble here, you can call a bank. Ask for a loan officer and tell them the cost of your car. They can tell you the payment amount. If you need more help, ask your sponsor.

Loan payment:

Just for fun, to see how much you'll pay for the entire loan, multiply the amount of the monthly payment by the number of months to pay off the car:

License plates for your car

Call your local Department of Motor Vehicles to get an estimate.

Enter the cost here:

Costs of maintaining your car

Call a local auto service center to get estimates for your car, or look up costs in the newspaper. Enter costs per service.

Oil changes, each time:

Winterizing, each time:

Tires, for a set of four:

How much will gas cost?

Gas prices lately rise and fall quickly. The costs add up...

- (a) How many miles will you drive each day?
- (b) How many miles per gallon does your car get?
- (c) What's the current cost for a gallon of gas?

TOTAL cost of gas for one year:

1. Divide miles driven (a) by miles per gallon (b)
2. Multiply that number by cost for a gallon of gas (c)
3. Then, multiply that by 300 to get yearly cost (most people drive about 300 days per year)

For example: if you drive about 15 miles per day, and your car gets 22 miles per gallon, and gas costs 2.95 dollars per gallon, you will pay about **\$ 603 per year** for gas:

- 15 miles per day divided by 22 miles per gallon = 0.68 gallons per day
 - 0.68 gallons times 2.95 per gallon = \$2.01 per day for gas
 - \$2.01 times 300 days = \$603 per year for gas
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Add it all up...

Add 12 loan payments
+ License plates
+ 3 oil changes
+ 1/3 of tire costs
+ Winterizing
+ Total gas cost

Total yearly car expenses: \$



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