

All Grown Up – No More Spring Breaks: I Need a Ride to Work! (D2)

Course/Grade(s)

Personal Finance/9-12

Module:

All Grown Up – No More Spring Breaks!

Lesson Title:

I Need a Ride to Work!

Duration:

2 - 45 minute classes

Materials/Resources/Technology:

Student Activity Sheet A3

Student Activity Sheet D2

Exit Tickets (automobile die cut)

Computer/Internet Access

Car and Driver's "The Advantages of Busing a New or Used Vehicle" Article

<http://www.caranddriver.com/features/the-advantages-of-buying-a-new-or-used-vehicle>

Edmunds.com "True Cost to Own®" Article

<http://www.edmunds.com/car-buying/true-cost-to-own-tco.html>

<http://www.edmunds.com/new-cars/>

<http://www.edmunds.com/used-cars/>

www.BLS.Gov/OOH

ABC News' "10 Ways to Avoid Car- Buying Gotchas" Article

<http://abcnews.go.com/Business/10-car-buying-gotchas-avoid/story?id=20320840>

Classroom Arrangement:

No special classroom arrangement will be needed for this lesson.

Content Background:

The ideal vehicle of a Millennial (those age 16-32) can be described as "stylish, fun, capable, practical, environmental, and refined." However, there is a trend among Young Millennials (those age 16-24) of delaying getting their driver's license because they feel having a vehicle is too expensive (15%), are afraid of driving (19%), and indicate that they are too busy doing other things (23%). For Young Millennials, owning a vehicle is less emotionally driven and more a matter of practicality – 80 percent of surveyed Young Millennials indicated they needed a vehicle and only 20 percent indicated they wanted a vehicle. The primary factor in Young Millennials not having a vehicle is the cost owning a



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vehicle – 83 percent indicated they can't afford it, 34 percent indicated that the cost of gas was a factor, and 29 percent indicated that the cost of maintenance were reasons they didn't own a vehicle.¹

Car buyers consider themselves to be very engaged in the auto buying process and consumers are relying on the wide array of information to inform their decisions. Mobile access is becoming an even more powerful car-buying tool with peak access to Edmunds.com (an auto information website) coming on Saturdays, when most vehicles are purchased.² In researching vehicles, consumers spend approximately 13.75 hours for new vehicle buyers and 15.25 hours for used vehicle buyers in conducting online research about the automobiles.³

Standards:

National Jump\$tart: Financial Responsibility and Decision Making – Standard 2: Find and evaluate financial information from a variety of sources.

National Jump\$tart: Credit and Debt – Standard 1: Identify the costs and benefits of various types of credit.

Tennessee Personal Finance: Standard 8 – Understand the availability of consumer protection laws, agencies, and resources. Investigate the availability and reliability of resources to assist consumers in making buying decisions (include national, state, and local resources, as appropriate).

Tennessee Personal Finance: Standard 12 – Citing evidence found in credit applications, compare and contrast various types of credit and calculate the real cost of borrowing. Explain factors that can affect the approval process associated with each type. Identify typical information and procedures required in the credit application process. Analyze factors associated with the purchase of an automobile and defend a specific buying decision, including: Define and understand factors most often included in negotiations (such as cash vs. financing, inclusion of trade-in, etc.); Evaluate costs and benefits of different service contract and/or warranty options; and Compare and contrast available financing options based on consumer characteristics and size of down payment.

Day 1

Learning Targets/Objectives:

Students will evaluate advantages and disadvantages of purchasing a new and used automobile.

Students will research the new/used, make, model, year, style, average price paid, total cost to own, total cost, and annualized total cost for three vehicles of their choice.

Activating Strategy:

Have students read *Car and Driver's* "The Advantages of Buying a New or Used Vehicle" article (<http://www.caranddriver.com/features/the-advantages-of-buying-a-new-or-used-vehicle>). Students

¹Autotrader.com "Next Generation Car Buyer Study" <http://press.autotrader.com/research-reports>

²Edmunds.com "Car Shopping Trends Report" http://static.ed.edmunds-media.com/unversioned/img/industry-center/car-shopping-trends/QuarterlyReport_FINAL-1Intro2.pdf

³Autotrader.com "2013 Automotive Buyer Influence Study" <http://www.weworkforyou.com/files/insights/pdf/2013PolkAutomotiveBuyerInfluenceStudyBrochure.pdf>

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should identify their top advantage of buying a new vehicle and their top advantage of buying a used vehicle.

Instruction:

Upon completion of the activating strategy, discuss students' perspectives of the article. Have students share their top advantages of buying new and used vehicles. Ask students to share if they have any other advantages or potential disadvantages they would add to the list.

Have students read Edmunds.com "True Cost to Own[®]" article (<http://www.edmunds.com/car-buying/true-cost-to-own-tco.html>). Discuss what the "True Cost to Own[®]" really means to a car owner. Explain to the students that they will be completing an activity in which they will be evaluating the total cost of buying a car. Distribute a copy of Student Activity Sheet D2 to all students and review the instructions. Students will also need to have Student Activity Sheet A3 at their disposal. Have students work individually to complete Parts 1 and 2 of the activity sheet.

Modifications/Grouping:

Students with learning disabilities or cultural differences may need to be provided with more cues to complete the assignment. It may be helpful to share additional content background with these students or to provide them with specific websites to find the information. Advanced students could be encouraged to research additional car options and their associated costs. The instructor will determine additional modifications/grouping required for each class.

Assessment/Evaluation/Closure:

Ask students to look up the Total Cost to Own (TCO) of their dream vehicle and put the Make, Model, and Total Cost on an exit ticket (die cut car). Ask the class to write a bullet list of new things they learned during today's lesson on the back of the exit ticket. Right now, would you purchase a new or used vehicle, based upon the information you have researched thus far? Discuss. Tell students that during the next class they will continue to research information about their transportation choice and ultimately use their research to make a purchasing decision.

Reflect on the students' questions/feedback, activating strategy, and instruction and make notes for future instruction. Did students attain the learning targets at an acceptable level? Were special needs students adequately accommodated?

Day 2

Learning Targets/Objectives:

Students will analyze the costs and benefits of specific transportation purchasing scenarios.

Students will use research to make a vehicle purchasing decision and justify their decision.

Activating Strategy:

Have the students read ABC News' "10 Ways to Avoid Car - Buying Gotchas" article (<http://abcnews.go.com/Business/10-car-buying-gotchas-avoid/story?id=20320840>). Ask students to propose/anticipate two additional "gotchas" that can occur in the car buying process.

Instruction:

Upon completion of the activating strategy, discuss students' anticipated "gotchas" not listed in the article. Keep a running list on the board for students to see as they continue their research. Ask students to share if there are any of these strategies they might use in purchasing the vehicles they researched in the previous class session. Students will complete Parts 3 and 4 of Student Activity Sheet D2.

Modifications/Grouping:

Students with learning disabilities or cultural differences may need to be provided with more cues to complete the assignment. It may be helpful to share additional content background with these students or to provide them with specific websites to find the information. Advanced students could be encouraged to research additional car options and their associated costs. The instructor will determine additional modifications/grouping required for each class.

Assessment/Evaluation/Closure:

Ask students to reflect on their personal choice of which means of transportation will be the most appropriate for their first year out of college and why in two paragraphs. Students will submit their Student Activity Sheet D2 and reflection paragraphs for formative grades. Preview the next lesson, informing the students that they learn about saving and investing.

Reflect on the students' questions/feedback, activating strategy, and instruction and make notes for future instruction. Did students attain the learning targets at an acceptable level? Were special needs students adequately accommodated?

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Student Name: _____ Period: _____

INSTRUCTIONS:

Congratulations! You have just graduated from college and have gotten a good job! But you now realize that you need a vehicle to get you to work since the public transportation system does not run near your work. Follow the below instructions to make a decision about the vehicle.

PART 1: YOUR CAREER

Remember back when you identified your three potential careers, now you have to pick choose one! Refer back to your top three choices from that lesson and place your top selection in the table below on line 1.

Next, go to www.BLS.gov/OOH and find your career, either by looking in the occupation groups or by using the search tool. On your career page, select the “Pay” tab. In the first paragraph, the last sentence should read “The lowest 10 percent earned less than...” Record the earnings of the lowest 10 percent (you should assume you will be earning approximately this amount since you will just be starting in this career) in the table below on line 2.

Calculate 5%, 10%, 15%, and 20% of the earnings (we’ll get to why shortly) and record the answers on lines 3-6.

Career Choice and Earnings

1	Career	
2	Gross Annual Earnings (Lowest 10 Percent)	
3	5% of Earnings (= \$ x .05)	
4	10% of Earnings (= \$ x .10)	
5	15% of Earnings (= \$ x .15)	
6	20% of Earnings (= \$ x .20)	

PART 2: YOUR VEHICLE OPTIONS

Now you get to identify three vehicles you are considering for purchase – you must consider at least one new and one used option.

Research new cars using this website (<http://www.edmunds.com/new-cars/>) and used cars using this website (<http://www.edmunds.com/used-cars/>). List the information about each vehicle on lines 1-6.

Use this website (<http://www.edmunds.com/tco.html>) to determine the total cost to own (TCO), you must also consider additional costs not included in the sticker price of the vehicle, such as

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depreciation, interest on your loan, taxes and fees, insurance premiums, fuel costs, maintenance, and repairs. List the TCO for years 1-5 on lines 7-11.

We are currently making the assumption that the vehicle will be finance for 5 years. To calculate the total cost of the vehicle sum the average price paid and years 1-5 TCO (add together lines 7-11) and place your answer on line 12. Annualize the total cost by dividing the total cost by 5 (divide line 12 by 5) and place your answer on line 13.

Vehicle Options

		Vehicle 1	Vehicle 2	Vehicle 3
1	New/Used			
2	Make			
3	Model			
4	Year			
5	Style			
6	Average Price Paid			
7	Year 1 TCO			
8	Year 2 TCO			
9	Year 3 TCO			
10	Year 4 TCO			
11	Year 5 TCO			
12	Total Cost (Add lines 7-11)			
13	Annualized Total Cost (Line 12/5)			

PART 3: ANALYZE YOUR OPTIONS

Auto Buying General Rule of Thumb: Your total monthly vehicle expenses should be no more than 15-20% of your gross income. This includes car payment, which includes the cost of the vehicle, interest, and other fees (if financed); maintenance costs (tires, oil changes, etc.); gas; insurance; parking; tolls; etc.

Based on the information you gathered in Parts 1 and 2, you will now analyze your options to determine if any of your vehicle options meet the auto buying rule of thumb. Compare line 13 from Part 2 with each of the percentages from Part 1. Put “yes” in the corresponding box if the annualized cost is less than the corresponding percentage of earnings. Indicate “yes” or “no” in the corresponding box.

		Vehicle 1	Vehicle 2	Vehicle 3
1	Less Than 5% of Earnings? Yes/No			
2	Less Than 10% of Earnings? Yes/No			
3	Less Than 15% of Earnings? Yes/No			
4	Less Than 20% Earnings? Yes/No			

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PART 4: MAKE YOUR DECISION

Respond to the following questions:

Do any of the options currently meet your criteria? If so, which options?

If not, conduct the search again for another vehicle that will meet the earnings criteria.

What vehicle would you select? Why?

Why would you want to spend only 5-10% of your earnings instead of 15-20%?

What factors were most important to you in selecting a vehicle? Did any of these factors change in priority when it came time to select your vehicle?

Think back to the lesson on credit reports and scores. How might your credit history impact the cost of the vehicle?

What advice would you give someone considering purchasing a vehicle?

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