

Activity 2



YOUR FIRST CAR

Now that you've had some practice evaluating and comparing automobile financing options, imagine that you are ready to purchase your first car. Based on the data below, answer the questions and decide which car to purchase, and which financing option will best suit your needs. Use the loan calculator at tools.finra.org/loan to determine monthly loan payments. After you've made your choices, be prepared to defend your decision in a class discussion.

BUYER DATA:

- High school senior planning to attend college away from home next year
- Has \$1,500 saved for a down payment
- Works part-time earning approximately \$150 per week
- Has a good driving record and has maintained good grades, so qualifies for discounts on insurance, making monthly insurance premiums \$100



CAR A	CAR B
	
<ul style="list-style-type: none"> • New, current model year compact car • Price: \$16,000 • Dealer incentives: <ol style="list-style-type: none"> 1. \$2,000 cash rebate with interest rate of 6.5% on a 48-month loan, OR 2. 3.9% interest rate on a 60-month loan • Dealer offers a first-time buyer discount of \$500 	<ul style="list-style-type: none"> • Used compact car, three years old, 40,000 miles • Price: \$9,000 • Interest rate on a 48-month loan is 7%

1. Determine the monthly and annual financing cost for each option.

	Monthly Cost	Annual Cost
Car A with incentive 1	\$	\$
Car A with incentive 2	\$	\$
Car B	\$	\$

2. What additional costs can you anticipate for each option?

How do these costs factor into your decision?

3. Which car will you purchase? Why?
