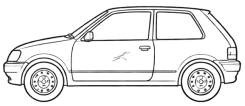
The Car Decision

Name _____ Date _____

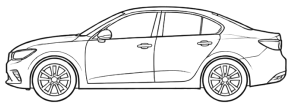
You take home $1,800 a month and have $3,000 saved. You need a car for work. Compare three deals. Gas and insurance are extra on all three.



A · Used hatchback



B · New compact SUV



C · Lease a sedan

Price	$9,000	$28,000	No price: you rent it
The deal	Loan: $6,000 at 9% APR for 3 years	Loan: $25,000 at 7% APR for 6 years	Lease: 3 years, 10,000 miles a year, then you return it
Down payment	$3,000	$3,000	$3,000
Monthly payment	$190.80	$426.23	$329.00
Number of payments	36	72	36
Total you pay down + monthly × payments			
% of $1,800 take-home			
What you own at the end			

1. Which deal has the lowest monthly payment? Which costs the most in total?

2. How much interest do you pay on deal B? (Total of the loan payments − $25,000)

3. Many money experts suggest keeping car payments to about 10% of take-home pay. Which deal fits?

MY MONEY CHOICE

Which would you choose? What would you give up to get it?

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The Car Decision

The quick lesson (read aloud, about 1 minute)

> Car ads show the **monthly payment**, but the real cost is the **total**: down payment + every monthly payment. A longer loan lowers the monthly payment but adds more **interest**. A **lease** is renting: lower cost up front, but you own nothing at the end. Gas, insurance and repairs come on top of all of it.

Two teaching points

1. Compare total cost, not just the monthly payment.
2. Longer loans = smaller payments but more interest.

Answer key

Totals: A $9,868.80 · B $33,688.56 · C $14,844.00. Share of take-home: A 10.6% · B 23.7% · C 18.3%. At the end: A you own the car (paid off after 3 years) · B you own the SUV after 6 years of payments · C you own nothing, you hand it back.
1. Lowest monthly: A ($190.80). Most in total: B. 2. Interest on B: $426.23 × 72 − $25,000 = **$5,688.56**.
3. Only A is close to 10%.

10-minute run

1. Fill in the three totals (5 min).
2. Find the % of take-home for each.
3. Debate: lowest payment vs. lowest total.

Ask

"Why do car ads show the monthly payment, not the total?"

Goal

The monthly payment isn't the price. Compare total cost, interest and what you own at the end.

Take it further

Ask: "What happens to deal B if you lose your job in year 2?" Talk about why a smaller payment gives you room to breathe.

Standard: National Standards for Personal Financial Education (Council for Economic Education and Jump$tart), area: **Managing Credit**. Print double-sided: the activity on the front, this teaching side on the back.

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