

Cars



Buying a Car

When buying a car, some people look at new cars as well as used cars. What information is needed before deciding which to buy?

New Car Purchases

What is the "Sticker Price"? *What the manufacturer suggests they sell for.*

Is this the price you will pay for the car?
NO!

What is the "Trade-In Allowance" and how does it affect the amount you pay for your new car?

When you buy your first car, someone (probably your parents) will have to co-sign for you. What does this mean?

Vehicle Cost = Negotiated Price - Trade-In Allowance + Sales Tax + Registration Fees

1. You negotiated a price of \$17,238 for the car with all of the options you wanted. You get a trade-in allowance of \$2,250 for your old car. You pay 8% sales tax and a registration fee of \$125. What do you owe the dealer?

Cost: $17,238 - 2,250 = 14,988$
 Tax: $(17,238 - 2,250) \times 0.08 = 1,199.04$
 DMV = 125
 ~~$14,988 + 1,199.04 + 125 = 16,312.04$~~ $16,312.04$

You have \$2000 to put down, what are your monthly payments if you finance for 5 years at 5.5% interest?

Borrow ~~$16,562.04$~~
 $14,312.04$

What is the total amount paid for the vehicle?

$2000 + 60(273.38) = 18,402.80$
 DP + trade-in

What is the total interest you would pay?

$18,402.80 - 14,312.04 = 4,090.76$
 monthly payments

NORMAL FLOAT AUTO REAL RADIAN MP

N=60
 I%=5.5
 PV= ~~$16,562.04$~~ $14,312.04$
 PMT= 316.3542119 273.38
 FV=0
 P/Y=12
 C/Y=12
 PMT: **END** BEGIN

2. Let's say you decide to take the loan for 3 years instead. How much will you save?

$$\begin{array}{r} 432.16 / \text{month} \\ \times 36 \\ \hline 15,557.76 \end{array}$$

$$16,402.80 - 15,557.76 = 845.04$$

Your dealer is currently offering a 0% financing option. What should you do?

Why?

pay off slower (longer time period offered)

3. You found the perfect car to buy. You were able to negotiate to the sticker price of \$21,600. You get a trade-in allowance of \$3,200 for your old car. After 8% sales tax and a registration fee of \$125, how much do you owe the dealer?

You bought the car and went to the bank to get a loan for \$16,600. The bank is lending you the money for 5 years at 10.5%. What is your monthly payment?

How much will you have paid back total at the end of the loan?

How much interest will you pay on this loan?

What other expenses will you have associated with owning/driving a car?

Car Insurance

Why do people have insurance?

To protect them financially from unforeseen circumstances.



What does car insurance cover?

- ① Damages to your car caused by accident or other peril
- ② Damages to others caused by your car.

*Car insurance is required by New York State



There are three different types of insurance:

** Required*

Liability Insurance

Covers damages to others property or person caused by your car.

Collision Insurance

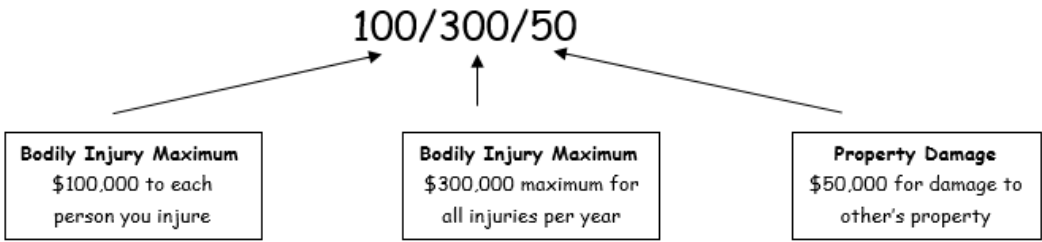
Covers ~~to~~ damage to your car caused by accidents

Comprehensive Insurance

Covers damages to your car caused by other perils (not accidents)

Liability Insurance

The yearly based premium (cost) depends on the amount of coverage you choose.





Type	Amount	Yearly Base Premium
Bodily Injury	25/50	\$144.50
	50/100	\$161.25
	100/300	\$176.80
Property Damage	25	\$78.60
	50	\$89.90
	100	\$103.45

You buy 100/300/50 liability insurance. What is the yearly base premium?

You buy 50/100/100 liability insurance. What is the yearly base premium?

Collision and Comprehensive Insurance

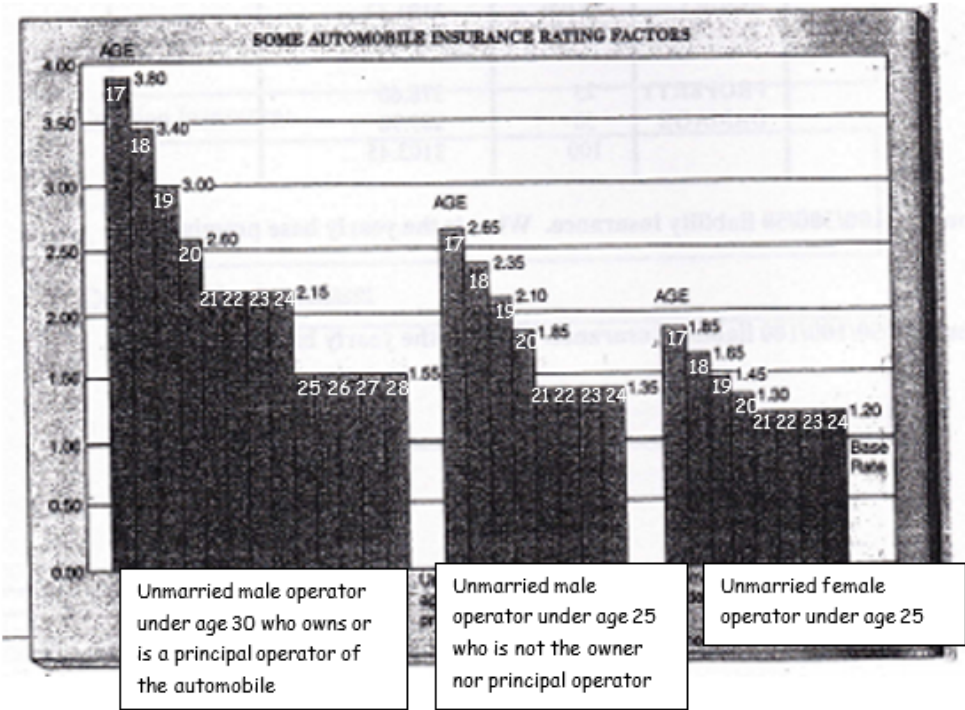
The yearly base premium (cost) depends on the amount of the deductible you chose, not on the amount of maximum coverage (like liability insurance).

Collision/Comprehensive Yearly Base Premiums		
Deductible	Collision	Comprehensive
\$50	\$197.38	\$72.65
\$100	\$183.42	\$56.90
\$200	\$141.71	Not Available

You buy \$200-deductible collision insurance and \$100-deductible comprehensive insurance.
What is the total yearly premium?

You buy \$100-deductible collision insurance and \$50-deductible comprehensive insurance.
What is the total yearly premium?

People don't usually end up paying the base premiums we just calculated. Insurance policies are rated on a number of factors that can increase the cost of the base premium. Some factors include: age, gender, driving record, and purpose for driving.



What is the rating factor for an unmarried male, 18, who owns his car? _____ *from*

What is the rating factor for an unmarried male, 19, who does not own his car? _____ *Cart*

What is the rating factor for an unmarried female, 19? _____

These rating factors are multipliers:

$\text{Policy Premium} = \text{Base Premium} \times \text{Rating Factor}$

George purchased 50/100/25 liability insurance, \$100-deductible collision insurance, and \$50-deductible comprehensive insurance. George is a 17-year old male who drives his parents' car. What is his total premium for these coverages?

Calculate the cost of coverage:

	Male, 18 Owns Car	Female, 17
Liability	25/50/25	100/300/100
Yearly Base Premium		
Collision Deductible	\$100	\$200
Yearly Base Premium		
Comprehensive Deductible	\$50	\$100
Yearly Base Premium		
Total Base Premiums		
Rating Factor		
Total Premium		