
LESSON C

Roles and Transportation

FOCUS: Decide whose role it is to provide and pay for transportation and analyze the costs and responsibilities of owning a car.

ACTIVITIES:

1. Students will understand the underlying costs and services related to transportation needs.
 - A. Have students refer back to their top 3 choices for transportation. Have them list all the costs and services they can think of that are associated with each of the 3 means of transportation.
 - B. Use Student Handout, "Transportation Costs" and show video "Wheels, Deals, and You" (19 mins.). Published by Money Management Institute Household International, 2700 Sanders Road, Prospect Heights, Illinois, 60070. (Cost: \$12.00). Answer key: 1.-c, 2.-c, 3.-d, 4.-c, 5.-b, 6.-c, 7.-b, 8.-c, 9.-a, 10.-a.
 - C. Have a car salesman come talk to the class on the costs of owning a car, i.e. car payments, financing, insurance, taxes, licensing, gas, oil, maintenance, repairs, tires, etc. Another option is to take a field trip to a car dealer. After guest speaker /field trip use Student Handouts, "Estimating the Cost of Owning A Car" and "Owning A Car Is Expensive."
 - D. Use booklet Your Automobile Dollar published by Money Management Institute Household International, 2700 Sanders Road, Prospect Heights, IL, 60070. (Cost: \$1.25). Divide the booklet into sections, assign small groups of students to read and report to class the most important things everyone should know. Give 8 mins. to read, and 1-2 mins. for report.
2. Have a class discussion on the aspects of purchasing a car. List on the board the character traits exhibited when borrowing and repaying money. Use Student Handout, "Purchasing A Car."
3. Have students get information on car insurance. Have an insurance salesman come talk to the class. Review terminology, etc. in the pamphlets Auto Insurance Basics published by: Insurance Information Institute, 110 William Street, NY,NY, 10038, (212) 669-9200, and Oops! Bangs! A joint project of the Insurance Information Institue and the National Consumer League, 815 15th Street NW, Washington, D.C. 20005.

Ask students, "Who pays for damages to a borrowed car if insurance doesn't cover the costs?" Use Teacher Information, "Car Insurance."
4. Discuss the costs and importance of car maintenance. Have a mechanic come in and speak to the class (see lesson A, activity 3). Use Transparency Master, "Car Maintenance." Discuss how important proper care can increase the life of the car and prevent many problems. It is also important to read and follow the manufacturer's directions in the owner's manual and keep a maintenance record.
5. Have students discuss with their parent(s)/guardian whose role it will be to provide for transportation when living independently. Use Student Handout, "Whose Responsibility?"

Name _____

Class Period _____

Journal Entry #2

*What will be the
biggest transportation
expense I
anticipate when
I'm on my own?*

Transportation Costs**Quiz**

Perhaps you already have a car of your own—one you fixed up or one that your parents gave to you. Or, you may really want your own car and don't have one yet. Before you buy it's helpful to understand all the underlying costs—financing, insurance, maintenance and repairs, gas, etc.

Below are some facts to know. Select the answer that best completes the following statements.

1. The auto insurance rate of the typical unmarried 17-year-old male car owner is approximately how much higher than that of the average older driver?
a. 1 1/2 times b. 2 times c. over 3 times d. 5 times
2. The percent of income the average family spends on transportation each year runs between:
a. 3-8% b. 10-15% c. 15-20% d. over 20%
3. The cost of auto insurance premiums are determined by all but:
a. where the policyholder lives and drives
b. age, sex, marital status, and driving record of the insured
c. amount of the coverage and the deductible
d. government regulation
4. According to federal law, the window sticker on a new car must state all but:
a. suggested retail price of the car and a list of standard equipment included
b. a list of available options with itemized retail price of each
c. sales tax and fees for registration and licensing
d. freight and transportation costs
5. In the first year of depreciation on a new car runs between:
a. 10-20% b. 25-30% c. 35-40% d. 40-50%
6. The total cost of an automobile loan can be reduced by all but:
a. increasing the down payment
b. shortening the repayment period
c. lengthening the repayment period
d. shopping for the best credit deal

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7. In test-driving a new car, it is important to check all but:
 - a. handling ease at different speeds, on different roads, in traffic, and when starting, stopping, parking, and braking
 - b. gas mileage and overall driving economy
 - c. riding comfort and noise level
 - d. operation of standard equipment and options
 8. In comparing the costs of different cars and options it is important to consider all but:
 - a. resale value
 - b. operating and maintenance costs
 - c. license fees and parking costs
 - d. purchase price of the car and each option
 9. The greatest advantage to buying a used rather than new car is:
 - a. lower purchase price
 - b. lower maintenance costs
 - c. better warranty coverage
 - d. easier financing
 10. Ways to control operating and maintenance costs of owning a car include all but:
 - a. maximum insurance coverage
 - b. sound driving practices
 - c. prompt corrective maintenance
 - d. routine preventative maintenance

Estimating the Cost of Owning a Car

Choose a partner and use this form to estimate the cost of owning and operating a car. You can choose use your family car or the car owned by a friend who is willing to share this information with you.

1. Present Year _____
2. Year car was purchased _____
3. No. of years owner has had car (Subtract #2 from #1) _____
4. Number of miles driver per year (average) _____
5. Miles per gallon of fuel. _____
6. Price paid for car. _____

Use one of these three methods to find the approximate present value of the car:

- a. Use the blue book to determine resale value.
- b. Find the advertised prices of several cars of the same make and model. Average these prices. Then deduct 10% because these are retail or asking prices.
- c. Use the chart below. The chart assumes that the car depreciates an average of 20% each year from the value the year before.

Number of Years Car Owned	Percent of Original Price Paid
1	80%
2	64%
3	51%
4	41%
5	33%
6	26%
7	21%
8	17%

To find the present value, multiply the price paid for the car by the percent across from the number of years and owner had car (Example: a \$6100 car owned for 7 years)

$$\begin{array}{r}
 \$6100 \\
 \times 21 \\
 \hline
 \$1281
 \end{array}$$

7. Present value of car _____
8. Total depreciation, or decrease in value, since car was purchased (Subtract #7 from #6) _____
9. Average depreciation per year (Divide #8 by #3) _____
10. Estimated cost of insurance per year. (Insurance may be billed two or more times a year; be sure this is a yearly figure.) _____
11. Estimated total licensing and registration fees. _____
12. Cost of fuel per year. (Estimate by dividing #4 by #5) _____
13. Multiply #12 by the present price of fuel. _____
14. Yearly cost of oil (Multiply the average number of miles per year (#4) by \$.002 per mile. Answer is in dollars.) _____
15. Yearly cost of tires. (Multiply the average number of miles per year (#4) by \$.01 per mile.) _____
16. Repairs and maintenance. Cost could be low for a newer car. An older car could be very expensive. (Multiply the average miles per year (#4) by \$.04 per mile.) _____
17. Total cost per year (Add #10, #11, #13, #14, #15, and #16) _____
18. Total cost per mile. (Divide #17 by #4) _____

Owning A Car Is Expensive

Owning a car is expensive. Costs include not only a monthly payment, but also insurance, taxes, licensing, gas, oil, maintenance, repairs, tires, etc.

Before you ever look at a car, carefully consider other alternatives.

List other possibilities here.

Even a year or two without the cost of a car would really be helpful in gaining financial security in the future, if you use the time wisely. If you **MUST** have a car consider the following **FIRST**:

1. Establish maximum dollars you have to spend on transportation per month. _____
2. Subtract the approximate amount you need for insurance, flexible expenses, and maintenance per month. _____
3. Identify the maximum dollars you can afford in monthly payments. This will help you decide how nice of a car you can afford to buy. _____
4. Look only for cars/etc. in that range.
5. Blue book price or market value can be obtained from a financial institution. _____
6. Read consumer magazines, etc. at the library to learn more about your purchase.
7. Ask opinions of others such as family, mechanics, parts people to find a reputable dealer.
8. Preferably you could use a savings account instead of borrowing the money. If not, arrange for finances in general, first.

Evaluation

In the space below, list the most important things everyone should know before purchasing a car.

Owning a Car is Expensive

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6. Read consumer magazines, etc. at the library to learn more about your purchase.
7. Ask opinions of others such as family, mechanics, parts people to find a reputable dealer.
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Journal Entry #3



What can I learn about establishing a good credit rating from adults I know and respect? (Put their advice here)

Purchasing A Car

Many times a car is the first large credit purchase a person makes. How it is handled establishes many character traits that are tracked for future reference in business transactions. These character traits are hard to measure in tangible ways, but they are valuable resources when it comes to credit purchases. After each character trait listed below, write what you think it has to do with qualifying for and repaying a loan.

Trustworthy _____

Reliable _____

Dependable _____

Able to plan ahead _____

Independent _____

Mature _____

Able to maintain a job _____

Honest _____

How does the development of these character traits contribute to a sound credit rating?

Some car dealers have a first time buyer plan for people with little or no credit rating who want to purchase without a co-signer. You need to be: 1) 18 years old, 2) working a full-time job—40 hours/week, 3) have worked on the job for 6 months, 4) be willing to buy the lowest priced car/truck, and 5) prove you have insurance.

Even so, financiers will look at the following when considering extending a loan. Which requirements do you meet now?

1. Length of time at present and previous address _____
2. Length of time on present and previous jobs _____
3. Amount of money you make _____
4. Percentage of income a car payment would be _____
5. Amount of bills you owe _____
6. Your previous credit rating _____
7. Amount of down payment you have (10% is helpful) _____

Car Insurance

Car insurance is a necessary and expensive part of car ownership. Perhaps your parents have already told you that. Usually when a teenage driver is added to the family car insurance, rates may increase 100%! Most states, require you to carry a minimum amount of coverage. Prices vary widely. The type of car you drive, your driving record, age, sex, where you live, and how much you drive will affect cost.

Work together in groups of 3-4 and pick three cars to call about car insurance—use your own family car or one you would be interested in buying. Get the cost of full coverage insurance from two companies with different deductibles. Compare your information with the class.

Basics About Auto Insurance

Step 1—Know about the six basic auto insurance coverages:

- Bodily injury liability—pays for legal defense and damages assessed if your car injures or kills someone.
- Property damage liability—pays claims and defense costs if your car damages the property of others.
- Medical payments insurance—pays for medical expenses resulting from accidental injuries. Covers you as well as other passengers in your car.
- Uninsured motorists protection—pays for damages to injured persons which are caused by uninsured motorists or hit-and-run drivers.
- Collision insurance—pays for damages to your car resulting from a collision with another car.
- Comprehensive physical damage insurance—pays for damages when your car is stolen or damaged by fire, flooding, hail or other perils, but not in collision with another car.

Step 2—Shop around. Many companies sell auto insurance. Compare prices. Ask agents, brokers, or insurance companies for price comparisons.

Step 3—See if you can lower your insurance rates. Many companies offer discounts to people who have passed an approved driver education course or who have a B grade average or better.

Step 4—Investigate the types and amounts of coverage you need. For example, if your car is not worth much, you may not want to buy collision coverage.

Step 5—Look for an insurance agent, broker or company representative that you trust. Ask friends or relatives, or consult the telephone book. Ask questions.

Step 6—Read your policy. As a contract, an insurance policy creates obligations for both you and the insurance company. You must give your insurer complete, accurate and timely information about any accident or ticket. Before you sign anything, go over the policy and any confusing language with your insurance representative.

Car #1 type and year

Insurance #1 _____

Insurance #2 _____

Car #2 type and year

Insurance #1 _____

Insurance #2 _____

Car #3 type and year

Insurance #1 _____

Insurance #2 _____

Journal Entry #4



What surprises me most about owning a car after looking at all the expenses is . . .

Car Maintenance

Once you purchase a car, you must give it proper maintenance and care to prevent costly repair bills. Proper care can increase the life of the car and prevent many problems that may occur. Call a local garage and fill in the estimated dollar amount for the repairs in each column.

Last straw repairs like these . . .		Might be prevented by maintenance jobs like these . . .	
Complete overhaul of engine	\$ _____	Check oil and add as necessary	\$ _____
		Change drive belts	\$ _____
		Change a hose	\$ _____
		Test cooling system for leaks	\$ _____
Transmission overhaul	\$ _____	Check transmission fluid level and add as necessary	\$ _____
		Change transmission fluid and filter	\$ _____
Replace piston rings and bearings	\$ _____	Change air filter	\$ _____
		Change oil and oil filter	\$ _____
Valve job	\$ _____	Adjust valves where required	\$ _____
Turn down or replace brake drums and/or rotors	\$ _____	Check brake linings and/or pads and replace	\$ _____
		Front end overhaul (including new ball joints and tie rod ends)	\$ _____
		Lubricate chassis	\$ _____

Flexible Expenses

Flexible expenses include such things as gas, oil, lubricants, cleaning supplies, maintenance, tires, etc. Go back to the worksheet on the costs of owning a car. Identify an approximate monthly cost to operate a car. Have several of your classmates give their numbers and average them to get a realistic figure. Write it in the space below.

\$ _____ average monthly cost

Car Maintenance

Last straw repairs like these . . .		Can be prevented by maintenance jobs like these . . .	
Complete overhaul of engine	\$	Check oil and add as necessary	\$
		Change drive belts	\$
		Change a hose	\$
		Test cooling system for leaks	\$
Transmission overhaul	\$	Check transmission fluid level and add as necessary	\$
		Change transmission fluid and filter	\$
Replace piston rings and bearings	\$	Change air filter	\$
		Change oil and oil filter	\$
Valve job	\$	Adjust valves where required	\$
Turn down or replace brake drums and/or rotors	\$	Check brake linings and/or pads and replace	\$
		Front end overhaul (including new ball joints and tie rod ends)	\$
		Lubricate chassis	\$

Whose Responsibility?

It's a good idea to discuss with your parents/guardian whose role it will be to provide for transportation when you live on your own. Use the "Transportation Questionnaire" when you talk to your parents.

Transportation Questionnaire

1. Who is responsible to pay for my transportation once I'm on my own?
2. How much money will I have on a regular basis that can be allocated per month for transportation?
3. If I'm seriously considering a car, I will LOOK carefully at the total costs involved. These are my parents comments after going over the worksheet on buying and operating a car:
4. How much will it cost for insurance? Who will insure me?
5. How will insurance be affected by:
 - car registration name,
 - annual mileage,
 - age,
 - marital status,
 - driving record,
 - type of car,
 - type of coverage desired,
 - being a student,
 - good grades,
 - full-time employment
6. How will the amount of trust other people have in me affect my transportation opportunities?
7. Have your parent/guardian answer this question: "If you could give your son/daughter one short piece of advise about transportation what would you say?"

Parent/Guardian Signature _____