

# Buying and Leasing Cars

**SUBMITTED BY:** WGYP Summer 2011 Instructor

**SUBJECT(S):** Personal Finance

## ≡ OVERVIEW:

In this lesson, students are asked to reflect on their decision-making process when thinking of getting their first car. Through this lesson, students become more aware of the decision-making process they currently use to make purchasing decisions, and how they can incorporate a more rational decision-making process when making a large purchase, in this case a car. They will also think about the responsibilities that come with a car such as buying insurance and gas, but these factors will be expanded in the other lessons of the unit.

## ≡ NBEA STANDARD(S):

- Personal Finance, I. Personal Decision Making

## ≡ RELATED ARTICLES:

- [“New Car? The Costs Start Here”](#)
- [“Behind the Wheel of Tesla’s Model S and Elon Musk’s Endless Innovation”](#)

## Common Core Standard(s):

- Reading Informational Text — RI.9 -10.1.; RI.9 -10.2.
- Speaking and Listening — SL.9 -10.1.

## Purpose:

In this lesson, students will use the rational decision-making process to decide whether it is a better option to buy or lease a car.

### Other Resources:

- [Worksheet 1: Should you buy or lease a car?](#)
- [Worksheet 2: Rational Decision-Making Process.](#) <- MISSING

### Activity:

#### *Introduction (5 mins)*

- Ask the students how many of them or their friends have cars?
- How did they get these cars? Did they buy or lease them?
- Those that do have cars, how do they manage the costs? Are these cars newer or older? What are the costs for maintaining a car? [payments, insurance, gas, tune-ups, etc.]
- Do parents cover the costs or are they expected to do so? How many of them work or know other students who work?

#### *Guided Reading Activity (10 mins)*

Ask students to read Exhibit 12 about the pros and cons of buying or leasing a car.

#### *Reading Review*

Ask one student to make four columns on the board: one each for the pros and cons of buying and the pros and cons of leasing a car. Ask the student to fill this table with comments from the other students.

#### *Class Discussion (10 mins)*

Ask students to start brainstorming about the different ways they can acquire a car and the requirements for each option. This can be done on the board so that the students can reference it for the group activity.

- Buying an old/new/certified car,
- Leasing a car.
- CarShare options: Zipcar or Philly CarShare (usually one yearly membership free and then a certain hourly rate when you borrow a car).

*Teacher Explanation:*

- The teacher may have to explain some of the details about buying a car and getting a car loan: you have to have a good credit rating to get lower interest rates, you will probably have to make a down payment and decide what your monthly car installments will be.
- The teacher may need to explain that every driver needs to pay for car insurance so that's another monthly expense when buying or leasing a car. However, they don't need to pay insurance with car share programs.
- Leasing a car: At the end of the term you can return the car or buy it back from the dealer. You cannot sell the car because it is owned by the dealer. It is similar to paying a monthly rent on an apartment. Usually the lease term is for 36 months and you can finance or buy the car at the end of the term. When leasing, you are also bound by the number of miles used (usually 12,000 or 15,000 miles). You could have to pay an extra 15 cents per additional mile.
- Financing a car: The difference between leasing and financing is your decision to keep the car for a longer period. You may make higher payments but you own the car and can sell it anytime during the financing for a higher or lower price. Car loans can last up to 60 months.

Essentially, the students should have enough information to begin thinking about how to best acquire a car using the rational decision-making process.

*Small Group Activity (10 mins)*

Ask groups of 3-4 students to write up a short plan for acquiring a car using the rational decision-making process. What resources would they need/use? Who would they talk to? What are the questions they would ask?

*More information to get them thinking about this decision:*

– How long are they planning on keeping the car?

- Would they rather make higher payments for keeping the car?
- Are they going to move in the near future?
- For Step 4, they should have at least these three options: buy a car; lease a car; or sign up for a car share program.
- For Step 5, they can revert to some of the observations made during the pros/cons-related group discussion earlier.

### *Closing (5 mins)*

Ask some students to present their steps and tell the class about their preferred alternative.

### **Tying it All Together:**

In this lesson, students use the rational decision-making process to think through the different options that exist while getting a car, and the pros and cons of each option.

☺