

## Budgeting to Buy a Car<sup>1</sup>

### HS.B.EXT: Budgeting to Buy a Car

You want to purchase a car. You've saved up \$2,500 from various gifts and jobs. Your family has agreed to match that and provide \$2,500 as well. You expect to earn about \$200 per month from a part-time job to pay for operating costs and ownership costs. You decide since this is your first car and you don't have enough income to responsibly take out a loan, that you will pay for the car in full (as opposed to in smaller monthly payments with interest by taking out a loan). This means you will not have a monthly car payment, but you will have monthly costs associated with the car, which you will calculate later.

Assume the following:

- You can spend up to \$5,000 on the car
- The \$200 per month from your part-time job will cover your operating and ownership expenses

**FINDING A CAR** - Now it's time to find a car. Using your list from the do now, search through major used car dealerships' websites for cars within your \$5,000 price range. Sites you can search include:

<a href="#">CarMax</a>	<a href="#">Edmunds</a>	<a href="#">KelleyBlueBook</a>	<a href="#">Craigslist</a>
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As you search, record at least 3 cars into the chart below that you think are a good buy. You will use this information to help you budget in the next section.

Source	Seller	Year/Make/Model	MPG	Price

<sup>1</sup> Modified from NGPF [Purchasing a Used Car Mini Unit](#)

## All the Costs of a Car

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### A. Insurance

The cost of insurance depends on several factors namely: age, state, gender\*, and driving history. The numbers below reflect the national average for being added to your family's existing insurance policy. Note: It would be much more expensive to be on your own policy and you can visit [carinsurance.com](http://carinsurance.com) to do more research for a more individualized look at what your rate would be.

Age	16	17	18	19
Average Massachusetts Insurance Increase to Parent's Policy <small>*MA does not differentiate cost by gender</small>	\$1,976	\$1,844	\$1,742	\$1,036

Another determining factor is your driving history<sup>2</sup>- you can see lower prices if you have taken driving classes, higher prices if you have gotten a ticket, and some insurance companies give you a discount for being a good student. Circle any of the scenarios that apply to you so far, then add or subtract from the insurance cost listed above:

Good Driving record: -\$50                      Speeding Ticket: +\$341                      Not Wearing a Seatbelt: +\$59  
 Defensive Driving Class: - 10%                      At-Fault Car Accident: +\$617  
 Good Student Discount: - 7%                      Texting While Driving: +\$290                      DUI: +\$1,086

**Insurance Payment** (\$ amount here) ÷ 12 =  
**Monthly Insurance Payment Amount:** (\$ amount here)

### B. What will your estimated gas costs be?

How many miles you drive helps determine your monthly gas costs. Things to think about to estimate how many miles you drive would be the distance from your home to work, school, other places you regularly drive, where you go on weekends. **For this scenario, assume that you drive 15,000 miles per year.**

Go to <https://www.carpaymentcalculator.net/calcs/gas-budget.php> and use the directions below as a guide to find your monthly gas cost. Repeat the calculation for each car.

1. Type in the miles per gallon "mpg" for your car (Note: You do not have to choose your car from the drop down menu since you already know your mpg from your research.)
2. Fill in your 15,000 for your annual mileage - make sure you select "Year" for numbers of miles you drive.
3. Fill in your gas price by state from <https://gasprices.aaa.com/state-gas-price-averages/>

**Car 1: Monthly Gas Cost Amount:** (\$ amount here)  
**Car 2: Monthly Gas Cost Amount:** (\$ amount here)  
**Car 3: Monthly Gas Cost Amount:** (\$ amount here)

<sup>2</sup> Insurance rate increases by violation from [zebra.com](http://zebra.com)

### C. What will your estimated maintenance costs be?

The number of miles already on a car and the car's make/model determine the annual maintenance costs. Used cars with higher mileage are cheaper to buy, but usually have higher maintenance costs. Use the chart below from [yourmechanic.com](http://yourmechanic.com) to estimate the monthly cost of maintaining the three cars you chose.

How Do Maintenance Costs Vary With Mileage?	
Based on Maintenance Performed by YourMechanic	
Mileage	Total Maintenance Costs per 25k Miles
0- 25,000	\$1,400
25,000 - 50,000	\$2,200
50,000 - 75,000	\$3,000
75,000 - 100,000	\$3,900
100,000 - 125,000	\$4,100
125,000 - 150,000	\$4,400
150,000 - 175,000	\$4,800
175,000 - 200,000	\$5,000

#### Car 1:

Total Maintenance Cost (\$ amount here) ÷ 12 =

**Monthly Maintenance Costs:** (\$ amount here)

#### Car 2:

Total Maintenance Cost (\$ amount here) ÷ 12 =

**Monthly Maintenance Costs:** (\$ amount here)

#### Car 3:

Total Maintenance Cost (\$ amount here) ÷ 12 =

**Monthly Maintenance Costs:** (\$ amount here)

If you have more time, go to the [article](#) and find the cost of maintaining your specific cars by make and model.

### D. What are your other ownership costs?

When you buy a car you have to pay certain fees and taxes. Some are yearly and some occur just when you purchase the car. You will need to budget for both! These costs vary depending on where you live, who you purchase the car from, and the type of car you buy. The fees listed below are the car fees in Massachusetts.

One Time Fees (Included in the Purchasing Budget)	Annual Fees (Included in the Monthly Budget)
Title Fee \$75 ----- Sales Tax (Cost of Car) x .0625 = Will calculate in the excel document for you - just type in the cost of the car.	License \$25 Registration \$30 Air Quality Emission Inspection Fee \$35 ----- Taxes - (Cost of Car) x (.1) x .025 = Will calculate in the excel document for you - just type in the cost of the car.

## Putting It All Together

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Using the data from your research above, [use this link](#) to create your own copy of the Car Purchasing Spreadsheet. Make sure to share your copy with your teacher.

REFLECTION - Complete the reflection questions below.

- A. What car are you most interested in buying? Why?
  
  
  
  
  
  
  
  
  
  
- B. Is the car you can afford also the car you are most interested in buying? If not, why?
  
  
  
  
  
  
  
  
  
  
- C. Did you have more success searching through dealers (CarMax, Edmunds) or private parties (eBay Motors, Craigslist)? Why do you think that is?
  
  
  
  
  
  
  
  
  
  
- D. What challenges did you encounter during this process? What might you do differently next time you search for a used car?