

# The Other Costs of Having a Car

**SUBMITTED BY:** WGYP Summer Educator

**SUBJECT(S):** Personal Finance

**GRADE LEVEL(S):** 9, 10, 11, 12

## ≡ OVERVIEW:

In this lesson, students will design a budget for the costs that come with owning a car. They will also devise strategies to reduce these costs so that owning a car is feasible.

## ≡ NBEA STANDARD(S):

- Personal Finance, III. Managing Finances and Budgeting

## ≡ RELATED ARTICLES:

- [“New Car? The Costs Start Here”](#)
- [“Driver Alert: Car Insurance Will Cost You”](#)

### **NBEA Standard(s):**

Finance 3: Managing Finances and Budgeting.

### **Common Core Standard(s):**

Reading Informational Text — RI.9 -10.1.; RI.9 -10.2.

Speaking and Listening — SL.9 -10.1.

**Purpose:**

- Students will come up with a tentative budget for the costs associated with having a car.
- They will develop comprehension skills by reading and applying the Wharton Global Youth Program article to the task.

**Other Resources/Materials:**

Wharton Global Youth Program video: [Fixed/Variable Costs](#)

**Activity:***Introduction (5 mins)*

Ask students to imagine they have just got a car for their 16th birthday and their parents invite them to the living room to say that while the used car has been paid off, the rest of the costs are their responsibility alone. Ask them about all the other costs that come with having a car, particularly a used car.

Possible answers: Insurance (which is usually calculated for six months at a time), gas (depending on how often they drive and how far), tune-ups, oil changes, getting a stereo system, vehicle registration, license plates, parking permits.

*Reading and Discussion (12 mins)*

Ask the students to read the Wharton Global Youth Program article on car insurance. What have they learned from this about getting cheaper rates for insurance? Explain how this is an example of using the consumer decision-making process to get the most out of their money.

*Strategizing Lower Costs (10 mins)*

In groups of 4-5 students, ask them to think of ways to reduce the additional costs that come with owning a car.

Possible answers: Better rates for good driving or a good GPA; choosing a higher deductible; no speeding; building up a good credit history; setting a limit on how much they spend on gas a month (no cruising); getting insurance with parents instead of by themselves (but then everyone's premium goes up if they get a ticket or are in an accident).

### *Creating Budgets (10 mins)*

- Ask students to split up into pairs and make a 6 month budget for how much they will spend on their cars per month. Show them the Wharton Global Youth Program video on “Fixed/Variable costs” here.
- They should think about what are going to be the fixed costs; variable costs; and one-time costs they may incur over the 6 months.
- This budget should be done on graph paper by each student although they can talk about their budgets together.
- Budget considerations:
  - insurance (which is usually calculated for six months at a time)
  - gas (how often they drive and how far)
  - tune-ups and oil changes
  - getting a stereo system
  - vehicle registration and license plates
  - parking permits or garage fees
  - Once they are all done, have them compare their monthly budgets and costs for a car. Talk about these costs and how they can be reduced if needed.

The teacher should collect these budget plans or let the students keep them for use in another lesson later in the unit.

### *Closing (5 mins)*

Ask students if there was anything they had not realized about owning cars which they learned today. Emphasize the importance of thinking about the associated costs for any purchase, especially for such major purchases like cars.

### **What Worked and What I Would Do Differently:**

If students have access to computers, they can do their budget plans on Excel.