

ConsumerMan Video for LifeSmarts 10: *BUYING A CAR*

Lesson Plan

Overview

Whether new or used, buying a vehicle is probably the largest purchase a teenage will make. While those in the business sell cars every day, the average consumer has little experience buying a vehicle. Knowing some basic strategies can make the process less stressful.

Lesson Objective

Review basic information related to the process of purchasing a new or used vehicle.

Time

1 class period

Background

The purchase of a vehicle can be divided into several separate transactions:

1. Select the appropriate vehicle.
2. Negotiate the purchase price.
3. Determine the value of the trade-in.
4. Acquire the most advantageous financing.

The well-informed consumer is aware that there are hundreds of cars and dealers to choose from. So it is wise to consider each part of the transaction carefully, going step-by-step. Negotiating a “good deal” takes patience and an understanding of the process.

Materials

- Lesson Vocabulary List Prompts
- Lesson Vocabulary List
- Video-*Buying a Car*
- Activity Key-*Just the Facts – Buying a Car*
- Video Activity- *Just the Facts – Buying a Car*

Resource: Federal Trade Commission Consumer Information-Buying a Used Car:

<http://www.consumer.ftc.gov/articles/0055-buying-used-car>

Procedures

1. Distribute *Vocabulary List Worksheet*
2. Assign students to define only the vocabulary they are confident they understand.
3. Clarify and define vocabulary with the large group.
4. Distribute the *Just the Facts – Buying a Car* to each student. Review the activity instructions and allow time for students to complete their work.
5. View the video *Buying a Car*
6. Review and discuss answers to *Just the Facts – Buying a Car*.

Discussion Questions and Statements

1. React: Because of the serious impact on the environment, teenagers do not need cars.
2. React: Teenagers who are pulled over for texting or talking on cell phones should have their licenses suspended.
3. Parents can now purchase “safe driver” devices that monitor the driver’s speed and track vehicle location via GPS. What are the advantages and disadvantages of this technology?
4. Owning and driving a vehicle is a luxury most teenagers in the world never experience. Explain how American teens view this privilege.



Name:

base price	Cost of a vehicle with standard equipment; no options or upgrades
book value	Estimated market or trade-in worth of a used vehicle as published in a guide by businesses such as Kelley Blue Book, Edmunds or NADA
extended warranty	Service contract that provides for no cost or low cost vehicle repair, after the factory or dealer warranty expires
FTC Used Car Rule	The rule that requires all used car dealers to place a "Buyers Guide" in a conspicuous place in each used vehicle they offer for sale
factory warranty	Promise by the vehicle manufacturer to repair or replace defective components for a specific period of time
invoice price	Approximate price the dealership pays to the manufacturer for the vehicle
lemon laws	These state laws protect buyers when vehicles have serious defects
Monroney sticker	A window sticker, required by law to be placed on every new vehicle, includes information such as MSRP and fuel economy
NHTSA	National Highway Traffic Safety Administration, the federal agency dedicated to achieving the highest standards of excellence in motor vehicle and highway safety
recall	When a safety defect is discovered, the manufacturer is required to remedy the problem at no charge to the owner
registration	Legally recording ownership of a vehicle with a government agency for tax and licensing purposes; the registration certificate is carried in the vehicle
title	Document that shows legal ownership of a vehicle
VIN	Vehicle Identification Number, a unique code used by the automobile industry to identify and track each vehicle manufactured



Name:

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**ConsumerMan Video for LifeSmarts 10:
Just the Facts-Buying a Car Activity Key**

Name:

DIRECTIONS: The statements below are either true or false. Read the statement and decide whether it is *true* or *false*. Circle *true* or *false* to indicate your choice. Correct the false statements by adding information to the statement.

For example, *There are twenty questions on this worksheet* is a false statement. Correct this statement by clarifying—*There are fifteen questions on this worksheet*, NOT by adding a negative such as, *There are not twenty questions on this worksheet*.

1	<p>When buying a vehicle, one of the most important parts of getting a “good deal” is making sure the monthly payments are affordable.</p> <p>Car buying experts advise that the “good deal” is based on negotiating the total vehicle price. The monthly payment can be determined and adjusted after the price is agreed upon.</p>	<p>True False</p>
2	<p>When buying a vehicle, begin your negotiations with the invoice price.</p> <p>The invoice price is close to the price the dealer paid the manufacturer. The dealer may receive additional incentive from the manufacturer, but buying a vehicle for close to invoice price is good negotiation.</p>	<p>True False</p>
3	<p>Once you have decided on the vehicle you want to purchase and have negotiated the price, go to the bank or credit union to discuss financing.</p> <p>Before you enter a dealership, discuss financing with the financial institution. Ask about the type of loan, how much interest you’ll pay, and the terms of the contract. Know what price point you can afford and the total cost if you finance through your financial institution.</p>	<p>True False</p>
4	<p>Focusing only on the monthly payment could result in paying too much for a vehicle.</p> <p>The monthly payment is not a true indicator of the cost of the car and never the price to negotiate.</p>	<p>True False</p>
5	<p>When a <i>trade-in</i> is part of a vehicle purchase, the dealer will offer the best price for the trade-in because they want to make a sale.</p> <p>Consumers should always check “book value” for their trade-in before they negotiate. There are a number of website that offer calculators to help estimate a vehicle’s worth; examples include Edmunds, Nada Guides and Kelley Blue Book.</p>	<p>True False</p>
6	<p>The invoice price tells exactly what the dealer paid for the vehicle.</p> <p>Car manufacturers create incentives and purchase programs for car dealers. These incentives can change the dealer’s price, but the invoice gives the buyer a good indication of the approximate cost.</p>	<p>True False</p>
7	<p>The consumer does not buy cars every day, but they do have the most important negotiating “tool.”</p> <p>As expert Jack Gillis says, the consumer’s most effective bargaining tool is the 180-degree turn and walk away. If the buyer feels uncomfortable or feels they have been treated with disrespect, they can leave the dealership.</p>	<p>True False</p>

8	<p>Purchasing a used car can save the consumer an average of 25% in overall ownership and operating costs.</p> <p>The savings are even larger. A used car can save the consumer 50% of those costs.</p>	<p>True</p> <p>False</p>
9	<p>One should investigate insurance costs before making a final decision to purchase a vehicle.</p> <p>Experts recommend getting estimates from three different insurance companies. For teens, insurance is a significant expense.</p>	<p>True</p> <p>False</p>
10	<p>One of the first steps in the vehicle buying process is to discuss the amount of your monthly payments with the salesperson.</p> <p>Discuss the monthly payment schedule only after you have negotiated the final price of the vehicle. Monthly payments do not reflect the total purchase price.</p>	<p>True</p> <p>False</p>
11	<p>When buying a used vehicle, it saves money for the consumer to request that the dealership give the car a thorough inspection before the sale is complete.</p> <p>Before completing the sale it is a good idea to have any vehicle inspected, but use an independent source to get a non-biased assessment of the vehicle.</p>	<p>True</p> <p>False</p>
12	<p>The largest cost factor when owning a new vehicle is depreciation.</p> <p>Typically, the most expensive cost of car ownership is the first year of depreciation. While the average is a 20% loss of value, some vehicles lose up to 40%.</p>	<p>True</p> <p>False</p>
13	<p>The Federal 3-Day Cooling Off Rule applies to new, not used vehicles.</p> <p>The 3-Day Cooling Off Rule does not apply to any vehicle purchase; it is primarily for items you purchase in the home.</p>	<p>True</p> <p>False</p>
14	<p>Invoice price and base price are identical.</p> <p>The invoice price is the manufacturer's price to the dealer. The base price is the price of a vehicle with standard equipment, no options or upgrades.</p>	<p>True</p> <p>False</p>
15	<p>Lemon law is a mandated federal standard that outlines a consumer's rights when a vehicle has a unique problem that does respond to repair.</p> <p>Lemon laws are determined by federal legislation, under the Magnuson-Moss Act, and also by state statutes.</p>	<p>True</p> <p>False</p>



ConsumerMan Video for LifeSmarts 10: *Just the Facts-Buying a Car Activity*

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1	When buying a vehicle, one of the most important parts of getting a “good deal” is making sure the monthly payments are affordable.	True False
2	When buying a vehicle, begin negotiations with the invoice price.	True False
3	Once you have decided on the vehicle you want to purchase and have negotiated the price, go to the bank or credit union to discuss financing.	True False
4	Focusing only on the monthly payment could result in paying too much for a vehicle.	True False
5	When a <i>trade-in</i> is part of a vehicle purchase, the dealer will offer the best price for the trade-in because they want to make a sale.	True False
6	The invoice price tells exactly what the dealer paid for the vehicle.	True False
7	The consumer does not buy cars every day, but they do have the most important negotiating “tool.”	True False

8	Purchasing a used car can save the consumer an average of 25% in overall ownership and operating costs.	True False
9	One should investigate insurance costs before making a final decision to purchase a vehicle.	True False
10	One of the first steps in the vehicle buying process is to discuss the amount of your monthly payments with the salesperson.	True False
11	When buying a used vehicle, it saves money for the consumer to request that the dealership give the car a thorough inspection before the sale is complete.	True False
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14	Invoice price and base price are identical.	True False
15	Lemon law is a mandated federal standard that outlines a consumer's rights when a vehicle has a unique problem that does respond to repair.	True False