
Comparing Used Cars

Jimmy needs to buy a car. He has three children and needs some extra space in the car for his tools. Jimmy goes to a dealership to look at cars. He would really like an SUV, but knows that sedans are cheaper. Look at his options to buy below.

Option 1	Sedan	Sedan
Price	\$10,000	\$10,000
Down payment	\$0	\$3,000
Interest rate	5.0%	5.0%
Term (length of time to pay)	48 months (4 years)	48 months (4 years)
Monthly payment	\$230.29	\$161.21

Option 2	SUV	SUV
Price	\$15,000	\$15,000
Down payment	\$0	\$5,000
Interest rate	4.0%	4.0%
Term (length of time to pay)	60 months (5 years)	60 months (5 years)
Monthly payment	\$276.25	\$184.17

1. Which car has the higher interest rate?

2. Which car has a longer term to pay?

3. How much can Jimmy save on his monthly payment if he makes a down payment on the sedan? On the SUV?

4. What other monthly and one-time costs does Jimmy need to consider?

Look at the other costs Jimmy should consider below. How much more money will he need up front and monthly? Fill in the blanks in the chart.

Additional Costs	Sedan	SUV
State registration (annual)	\$175	\$300
Sales tax (one-time)	\$600	\$900
Title Fee (one-time)	\$25	\$25
Total up front		

Additional Costs (Monthly)	Sedan	SUV
Insurance	\$60	\$70
Gas	\$150	\$225
Maintenance	\$75	\$100
Total monthly expense (not including car payment)		

Jimmy has \$6,000 right now. With a partner, decide:

1. Which car should Jimmy buy? Why?

2. Should Jimmy make a down payment? Why or why not?

Comparing Used Cars: Answer Key

Jimmy needs to buy a car. He has three children and needs some extra space in the car for his tools. Jimmy goes to a dealership to look at cars. He would really like an SUV, but knows that sedans are cheaper. Look at his options to buy below.

Option 1	Sedan	Sedan
Price	\$10,000	\$10,000
Down payment	\$0	\$3,000
Interest rate	5.0%	5.0%
Term (length of time to pay)	48 months (4 years)	48 months (4 years)
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Option 2	SUV	SUV
Price	\$15,000	\$15,000
Down payment	\$0	\$5,000
Interest rate	4.0%	4.0%
Term (length of time to pay)	60 months (5 years)	60 months (5 years)
Monthly payment	\$276.25	\$184.17

1. Which car has the higher interest rate?

The sedan.

2. Which car has a longer term to pay?

The SUV.

3. How much can Jimmy save on his monthly payment if he makes a down payment on the sedan? On the SUV?

He can save \$69.08 on the sedan or \$92.08 on the SUV.

4. What other monthly and one-time costs does Jimmy need to consider?

He should consider registration, title fee, sales tax, and monthly insurance, gas, and maintenance expenses.

Look at the other costs Jimmy should consider below. How much more money will he need up front and monthly? Fill in the blanks in the chart.

Additional Costs	Sedan	SUV
State registration (annual)	\$175	\$300
Sales tax (one-time)	\$600	\$900
Title Fee (one-time)	\$25	\$25
Total up front	\$800	\$1225

Additional Costs (Monthly)	Sedan	SUV
Insurance	\$60	\$70
Gas	\$150	\$225
Maintenance	\$75	\$100
Total monthly expense (not including car payment)	\$285	\$395

Jimmy has \$6,000 right now. With a partner, decide:

1. Which car should Jimmy buy? Why?

Answers will vary.

2. Should Jimmy make a down payment? Why or why not?

Allow each pair to share their thoughts and reasoning.