

Activity: Individual

⌚ 20 MINUTES

Materials: Students will need the activity handout and access to the internet.

Objective: The purpose of this activity is for students to research and evaluate the greater expenses when owning a new automobile. Students will get the costs of ownership in terms of depreciation, insurance, taxes and fees, fuel and maintenance. (For a bigger savings, add financing since most people don't pay cash for a new car.)

STANDARD Credit and Debt Standard 1: Identify the costs and benefits of various types of credit.

- Given a scenario, apply systematic decision making to identify the most cost-effective option for purchasing a car.

The True Cost of Ownership

Procedure

Instruct students to pick a new car to research and have them use a search engine to find the “true cost to own.”

Have students select a site that allows them to evaluate the true cost of owning the car in each of the following categories: depreciation, insurance, taxes/fees, fuel and maintenance.

Students now find the costs on the same car except a two-years-older model.

Note: It is important to make sure they use the exact same vehicle.

Students will create a chart of the data and answer the questions on the student activity sheet.

Answers

Answers will vary.

The True Cost of Ownership (1/2)

Directions

How much value do you lose on the purchase of a new automobile? Is it the same for each one? Find out how much you will lose in a five-year cycle. Choose a new car to research. Find the “true cost to own” using an online search engine.

Get the costs for each year of the first five years of ownership in the following categories:

» Depreciation

» Insurance

» Taxes/Fees

» Fuel

» Maintenance

Make a chart showing the True Cost of Ownership in each category for the new vehicle. Next, get the information on the same make, but on a two-years-older model. Make a new chart of the data.

Questions

❶ How much does it cost per mile to drive the car? (Use an annual mileage of 15,000 miles.)

❷ How much could you save by buying the two-years-older model?

❸ What is your savings expressed in percentage for each category?

The True Cost of Ownership (2/2)

4 In which categories do you see the biggest loss?

5 Why isn't there much change in the other categories? What does that tell you about the older model?

6 Bonus: Create a side-by-side comparison graph showing your savings for each category.