

Major Purchases

Objectives:

1. Participants will learn the basic process of making the major purchase of a vehicle.
2. Participants will learn how to assess their financial situation to determine whether they can afford to buy various types of vehicles.

Time: 1 hour

Materials:

1. Career and Financial Situation Sheets
2. Car Information Sheets
3. Calculators
4. Pencils
5. Pens
6. Index cards

Activity: Making Major Purchases - Vehicles

The idea of this activity is for groups to decide whether they can afford to buy various types of vehicles based on their current financial situations. It is strongly recommended that facilitators and volunteers do the activity before it is done with participants.

Prior to activity:

1. Copy information from the Career and Financial Situations sheets onto index cards
 - *For example: The Lawyers financial situation should be copied into one index card*
2. Sharpen pencils
3. Copy information from the car information sheet onto index cards
 - *For example: The Cadillac Escalade information should be copied onto one index card*

Roles of Facilitator(s) and Volunteers

1. **Facilitator** – ensure that all groups understand the activity; be able to answer participants' questions

Start of Activity

1. When participants arrive distribute:
 - ❑ Sharpened pencils
 - ❑ Calculators

2. Group participants into 4 groups

Leader's Notes - Once you have divided participants into groups, begin the activity by asking the following questions:

1. When I use the phrase "making a major purchase" what types of items do you think of? – Have participants respond by a show of hands
2. What do you know about "making major purchases?" – Guide a brief discussion about major purchases by explaining the following:
 - a) **Making a major purchase** – buying something that is expensive or takes a long time to pay for
 - *For example: car, house, or furniture*
3. Tell the participants that they are going "car shopping"
4. Distribute career and financial situation and car information index cards
 - a) Shuffle and turn cards face down so that participants cannot see the information
 - b) Tell groups to have one member come up to choose their career and financial situation and car information cards

Note: Have member choose their career and financial situation cards first and then car information cards.

Explain the following:

- 1). **Career and financial index cards** – this card provides participants with monthly salary and expenses:
 - a) **Monthly Salary** – is how much the group makes per month
 - b) **Expenses** – is how much the group pays out each month
 - c) **Monthly cash flow** – is money left to spend every month; money left to spend on a car.
- 2). **Car information card** – this cards provided participants with monthly car payment and car insurance
 - a) **Monthly Car payment** – is how much the group needs to pay for the car each month
 - b) **Monthly Car insurance** – is how much the group needs to pay for their car insurance each month

Leader's Notes

Explain the following:

1. Calculating whether group can afford the car – participants should take the monthly payment and add it to the monthly car insurance. Then they should take this total and subtract it from their monthly cash flow

➤ *For example: follow this process...*

- ✓ Monthly car payment = \$300
- ✓ Monthly car insurance = \$60
- ✓ $\$300 + 60 = \360
- ✓ Monthly cash flow = \$800
- ✓ $\$800 - \$360 = \$440$

Note: This group can afford the car!!!

2. Tell participants that they must be mindful of unexpected costs such as...

- Car trouble
- Sickness (doctors visit)
- Vacations
- Fun (going out a concert)
- Emergencies/Unexpected situations

3. Allow students to make their decisions independently.

Note: If a group cannot afford to buy a car, tell them they will have other chances to buy other affordable cars.

4. Give students 5-10 minutes to make their decisions to buy cars or not

After time is up, have groups exchange car information card to see if they can afford to buy the other groups' cars. Students may decide to....

- Buy 1 car
- Buy 2 cars
- Buy 3 cars

5. Debrief the activity....

If time permits tell each group to present their career and financial situations and the decisions they made. Participants should explain how they came to their decisions

Career and Financial Situation Sheet

Secretary

Salary per month	2,200
------------------	-------

Taxes	490
Mortgage/Rent Pay	670
Credit Card Payment	35
Other Expenses	300
Child Expense	190
Total Expense	1685

Monthly Cash flow	$2,200 - 1685 =$	515
-------------------	------------------	-----

Career and Financial Situation Sheet

Lawyer

Salary per month	8,700
------------------	-------

Taxes	1,940
Mortgage/Rent Pay	1,600
School Loan Pay	400
Credit Card Payment	300
Other Expenses	2,000
Child Expense	360
Total Expense	6,600

Monthly Cash flow	$8,700 - 6,600 =$	2,100
-------------------	-------------------	-------

Career and Financial Situation Sheet

Loan Officer

Salary per month	\$5,000
------------------	---------

Taxes	\$1,010
Mortgage/Rent Pay	\$990
School Loan Pay	\$225
Credit Card Payment	\$100
Other Expenses	\$1,300
Child Expense	\$300
Total Expense	\$3,925

Monthly Cash flow	$\$5,000 - \$3,925 =$	1,075
-------------------	-----------------------	-------

Career and Financial Situation Sheet

Janitor

Salary per month	\$1,700
------------------	---------

Taxes	\$295
Mortgage/Rent Pay	\$425
School Loan Pay	\$0
Credit Card Payment	\$40
Other Expenses	\$300
Child Expense	\$90
Total Expense	\$1,150

Monthly Cash flow	$\$1,700 - 1,150 =$	550
-------------------	---------------------	-----

Car Information Sheet

New 2006 Cadillac Escalade



Price = \$50,480.00
(To pay for car in 5 years)
Monthly payment = \$842
Monthly Insurance payment = \$120

Used 2003 Toyota Corolla



Price = \$10,995
(To pay for car in 5 years)
Monthly payment = \$183.25

Monthly Insurance payment = \$90

Car Information Sheet

New 2006 Honda Accord



Price = \$28,360
(To pay for car in 5 years)
Monthly payment = \$473
Monthly Insurance payment = \$95

2004 Used Porsche 911



Price = \$59,900
(To pay for car in 5 years)
Monthly payment = \$999
Monthly Insurance payment = \$553

Car Information Sheet

New 2006 Lexus



Price = \$37,888
(To pay for car in 5 years)
Monthly payment = \$632
Monthly Insurance payment = \$108

Used 2003 Chrysler Voyager



Price = \$11,990

(To pay for car in 5 years)
Monthly payment = \$200
Monthly Insurance payment = \$82