

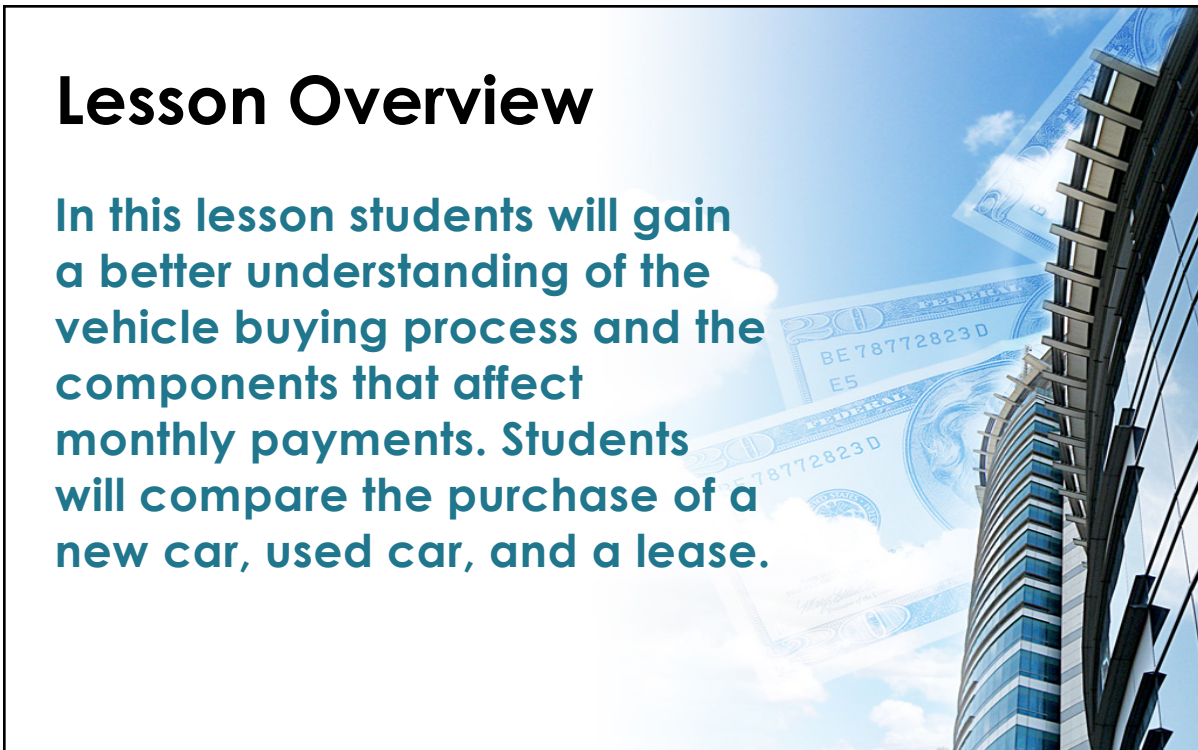


# Financial Literacy

## Lesson 4A

### Leasing vs. Financing

1



# Lesson Overview

In this lesson students will gain a better understanding of the vehicle buying process and the components that affect monthly payments. Students will compare the purchase of a new car, used car, and a lease.

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## By the end of this Lesson SWBAT

- Understand the differences between Leasing & Financing a vehicle.
- Make an informed decision about what kind of vehicle they can afford based upon budget constraints and desired lifestyle.

3



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# Activation Activity



## Sentence – Phrase – Word

Take a few minutes and quietly read the Globe & Mail article "**Lease or buy a car: What's the better option?**".



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# Activation Activity



## Sentence – Phrase – Word

After reading the article answer the following questions on the provided worksheet.

### Sentence:

- Record a sentence that was meaningful to you and helped you gain a deeper understanding of the text.

### Phrase:

- Record a phrase that moved, engaged, or provoked you.

### Word:

- Record a word that captured your attention or struck you as powerful.

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# What is Leasing?

## Definition

A vehicle lease is a method of obtaining a new or used vehicle that involves only paying for a portion of the vehicle's actual cost as opposed to having to pay for the entire vehicle. When you lease a new vehicle you are only paying for the portion of the vehicle you are using over the number of years in your lease agreement. At the end of the lease you do not own the vehicle.

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# What is Financing?

## Definition

Financing a vehicle is a method of obtaining a new or used vehicle by entering into a contract with a dealership or financial institution to buy a vehicle. With financing you agree to pay, over a period of time, the amount financed, plus a finance charge (i.e. interest). At the end of the term you own the vehicle.

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# Student Activity

## Part 1: Advantages & Disadvantages

You have 15 – 20 minutes to find 5 advantages and disadvantages for Leasing and Financing a vehicle.



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# Research Activity

## Things to consider when buying a vehicle

- Reliability
- Fuel Economy
- Maintenance/Repair Costs
- Insurance
- Lifestyle Demands
- Seating & Cargo
- Features: A/C, Sunroof, AWD/4x4, etc...



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# Student Activity

## Part 2: Researching Your Vehicles

For this section you are research vehicle for **each** of your career paths. Your vehicles can be anything you want, new or used, etc... as long as your budget can afford it. Don't forget your vehicle choice should reflect your desired lifestyle you want or appropriate for your career.

- If you want to purchase a used vehicle only use:  
[www.autotrader.ca](http://www.autotrader.ca)
- If you want to purchase a new vehicle go to the company's website and either find a pre-made model or built your own.

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## Recap

- Understand the differences between Leasing & Financing a vehicle.
- Make an informed decision about what kind of vehicle they can afford based upon budget constraints and desired lifestyle.



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## Next Class

- Evaluate the costs and benefits of car purchase options.
- Identify the factors that affect the total price for a car (including the interest rate, the length of a contract, and the size of a down payment).



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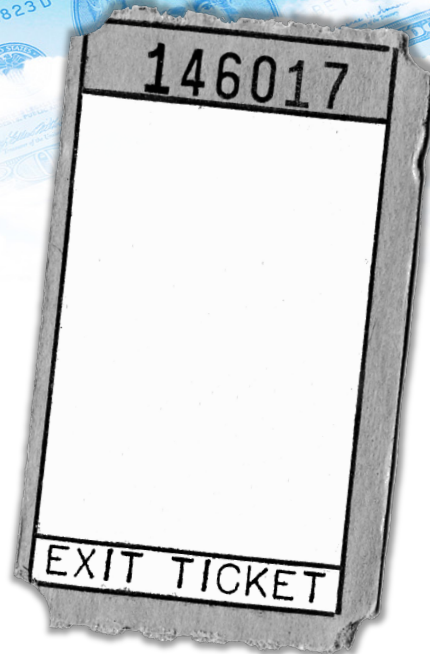
## Exit Ticket

### Front

In what situations would you consider **Leasing** a vehicle? Provide at least one fully developed response.

### Back

In what situations would you consider **Financing** a vehicle? Provide at least one fully developed response.



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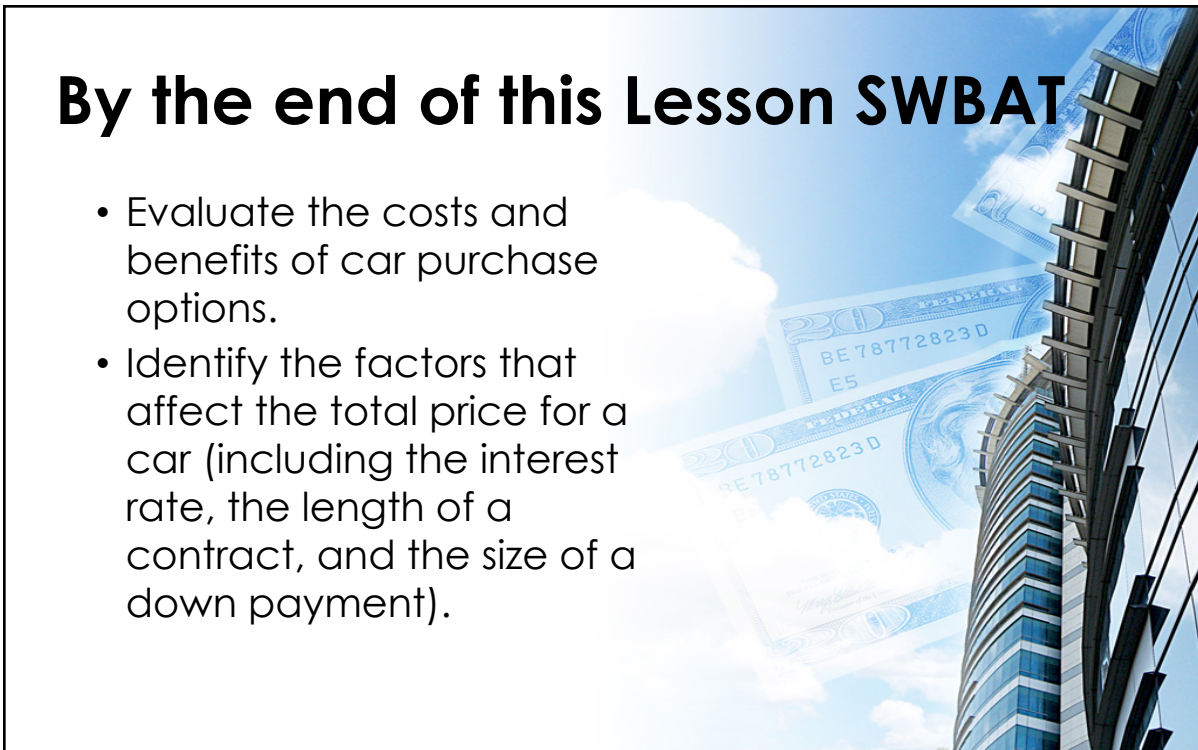


# Financial Literacy

## Lesson 4B

### Leasing vs. Financing

1



# By the end of this Lesson SWBAT

- Evaluate the costs and benefits of car purchase options.
- Identify the factors that affect the total price for a car (including the interest rate, the length of a contract, and the size of a down payment).

2



# Student Activity

## Part 2: Researching Your Vehicles

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3

# Vehicle Purchase

- Assume No down payment
- Use a realistic interest rate:
  - New Vehicle 3 – 5 %
  - Used Vehicle 5 – 9%
- Cash Purchase Discount
  - 10% off of MSRP or Asking Price
- Appropriate term based upon budget constraints (monthly payments)

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# Online Car Loan Calculator

## Canadian Auto Loan Calculator

<https://www.cchwebsites.com/content/calculators/CAAutoLoan.html>

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# Maintenance & Operational Costs

We are going to estimate your vehicle by using the following matrix:

## Maintenance

- New Car – 2 Years Old = \$50 / month
- 2 Years – 5 Years Old = \$75 / month
- +5 Years = \$100 / month

## Operation

- Fuel Economy 0 – 5L/100 KM = \$150 / month
- Fuel Economy 5 – 10L/100 KM = \$300 / month
- Fuel Economy +10L/100 KM = \$500 / month

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## Insurance Costs

Google BCAA Insurance  
Calculator

<https://www.bcaa.com/insurance/auto/overview/quick-quote>



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## Budgeting Your New Expense

Once you have selected the vehicle(s) for your different career paths, you will need to enter this new cost into your budget spreadsheet.

On the Lease vs. Finance page enter your new expenses into the appropriate fields. After you enter this information you may need to go back and revise your expenses to make sure you have a balanced budget (i.e. monthly savings is positive).

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