

# Financial Literacy: Lesson Plan for Introduction to Purchasing a Car



## Unit Overview

**Teacher/Program:**

**Course/Setting:** ABE/HSE Course

**NRS Level(s):** Low and High Adult Secondary Education (NRS level 5–6)    **Unit Theme:** Decide My Ride (Financial Decision Making: Automobile Purchase)

**Length of Unit:** 10–15 hours<sup>1</sup>

**Content Area:**

- Civics education
- Workforce preparation
- Financial literacy
- Digital literacy
- Health literacy

**NOTES on Content Area:**

In this unit on car purchasing and ownership, students practice math skills, criterion-based decision-making skills, and negotiation skills. In particular, they are exposed to guidelines and cash flow planning related to a car purchase, a major purchase that impacts household cash flow.

This lesson focuses on the costs of purchasing a car and builds students' background knowledge in preparation for upcoming lessons on making decisions about what vehicle to buy, negotiating the price, and the financial impact of owning a car.

Note on the math content: In the unit, students work on lessons that build on previous math lessons. Today's lesson is focused on CCR level D, and later lessons in the unit will move the math work to level E.

**Main Standards Addressed:**

**CCR Level D:**

SL1: Collaborative discussions, follow rules of discussion, propel conversation, respond thoughtfully.

SL4: Present information, findings, evidence.

SL6: Adapt speech to context.

Math, Ratios and Proportional Relationships, Level D: Find a percentage of a quantity as a rate per 100; solve problems involving finding the whole, given a part and the percentage.

Math, The Number System, Level D: Use proportional relationships to solve multistep ratio and percentage problems.

MP 1: Make sense of problems and persevere in solving them.

MP 2: Reason abstractly and quantitatively.

MP 4: Model with mathematics.

<sup>1</sup> Note. The lesson presented here is intended to be part of a larger unit, described here to provide context for the lesson, but the rest of the unit has not been developed.

**Additional Standards:**

National Standards for Adult Financial Education:

Money Management: Revise budget to reflect current cash flow.

Credit: Know how and where to obtain credit and the implications of using and misusing credit.

Risk Management: Use appropriate risk-management strategies to protect assets and quality of life.

My Money Five Principles:

Spend: Be a smart shopper and compare prices and quality.

Spend: Make a budget or a plan for using money.

Protect: Take precautions about financial situations.



**Rationale for This Unit:** *(Why is this unit important to my students?)*

*It's important to note that this unit on car ownership comes directly after a unit on household finances, where students explored paychecks, cash flow, personal budgeting, and basic financial concepts around saving, income, expenses, etc. This unit focuses specifically on the financial impact of purchasing and owning a vehicle.*

An automobile purchase is an example of a major purchase that impacts a household financially at the time of the purchase and requires ongoing costs for gas, insurance, maintenance, and repairs. Before meeting with a car salesperson or a seller, a savvy consumer prepares in advance by determining personal spending limits, criteria for an acceptable car situation, and payment options.

**Unit Objective(s)** *(What will my students be able to do at the end of this unit?):*

By the end of the unit, students will be able to:

- Speak and write about car-buying experiences.
- Estimate the costs of purchasing a vehicle.
- Estimate the costs of owning a vehicle.
- Apply a criterion-based decision-making process to a decision about purchasing a car.
- Practice negotiating terms to purchase a vehicle, including cost and method of payment.

**Lines of Inquiry (LOI)** *(What essential question(s) form the thread that holds this unit together?):*

- How will purchasing and owning a car impact my household finances?
- How can I be sure that I'm making the right decision about a car purchase?

**Central Skills of Focus in This Unit** *(check the skills that are most emphasized in this unit):*

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Critical thinking                    | <input checked="" type="checkbox"/> Navigating systems         |
| <input checked="" type="checkbox"/> Communication                        | <input type="checkbox"/> Adaptability and willingness to learn |
| <input checked="" type="checkbox"/> Processing and analyzing information | <input type="checkbox"/> Respecting differences and diversity  |
| <input checked="" type="checkbox"/> Self-awareness                       | <input checked="" type="checkbox"/> Interpersonal skills       |
|  | <input checked="" type="checkbox"/> Problem solving            |

**NOTES on Central Skills** *(Items underlined are explicitly taught and/or practiced):*

Critical Thinking: Down payment calculations practice and discussion, KWL chart

Interpersonal Skills: Introductory discussion on car purchasing experiences, closing mingle

Self-Awareness: KWL chart

Communication: Introductory discussion on car purchasing experiences, closing mingle, down payment calculations practice and discussion, team and pair work throughout unit

Respecting Difference and Diversity: Introductory discussion on car purchasing experiences, closing mingle, considering people's different financial and life circumstances that lead to differing decisions about vehicles throughout unit

Navigating Systems: Introductory discussion on car purchasing experiences, down payment calculations practice and discussion

Problem Solving: Down payment calculations



**Common student misconceptions/misunderstandings** that may interfere with learning:

- Non-U.S.-born students may not have negotiated a price in the United States before and may be unaware that this is culturally acceptable or even expected in car purchasing.
- ABE students often are not highly experienced with banking and personal finance if they come from contexts of chronic poverty, incarceration, high mobility throughout their lives, distrust of financial institutions, etc.



# Lesson Planning Template

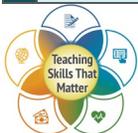
<p><b>Standard(s)</b></p> <p><i>Indicate which standards from the unit are targeted in this specific lesson.</i></p>	<p><b>ELA/Mathematics/ELP:</b></p> <p><b>CCR Level D:</b></p> <p>SL1: Collaborative discussions, follow rules of discussion, propel conversation, respond thoughtfully.</p> <p>Math, Ratios and Proportional Relationships, Level D: Find a percent of a quantity as a rate per 100; solve problems involving finding the whole, given a part and the percent.</p> <p>Math, The Number System, Level D: Use proportional relationships to solve multistep ratio and percent problems.</p> <p>MP 1: Make sense of problems and persevere in solving them.</p> <p>MP 2: Reason abstractly and quantitatively.</p> <p>MP 4: Model with mathematics.</p>	
<p><b>Lesson as Part of the Unit</b></p>	<p>Where does this lesson fall within the unit? <input checked="" type="checkbox"/> beginning <input type="checkbox"/> middle <input type="checkbox"/> end</p>	
<p><b>Instructional Objective(s) and Learning Target Statements</b></p> <p><i>The former are written in teacher language primarily derived from content standards and include evidence of mastery. The latter are written in student-friendly language and help learners reflect on what they are able to do as a result of the lesson.</i></p>	<p><b>Instructional Objectives:</b></p> <p>By the end of this lesson, the students will be able to</p> <ul style="list-style-type: none"> <li>• Discuss car purchasing and ownership, specifically the financial implications.</li> <li>• Practice calculating down payments (percentages) for car purchases.</li> </ul>	<p><b>Learning Target Statements (for learners' exit tickets, learning logs, or reflection)</b></p> <p><i>I can talk about what I already know about buying and owning a car and what I'd like to know more about.</i></p> <p><i>I can calculate down payment amounts for a new car purchase.</i></p>



<p><b>Assessing Mastery of the Objective(s)</b></p> <p><i>Indicate <u>when</u> and <u>how</u> assessment—formative and/or summative—will occur during the lesson.</i></p>	<p><b>Proof of Learning:</b></p> <p><input checked="" type="checkbox"/> Via observation of a team task (e.g., discussion, work on project)</p> <p><input type="checkbox"/> Via team self-assessment</p> <p><input type="checkbox"/> Via individual self-assessment</p> <p><input checked="" type="checkbox"/> Via team product</p> <p><input checked="" type="checkbox"/> Via individual product</p> <p><input type="checkbox"/> Other _____</p> <p><b>Proof of Learning Tools:</b></p> <p><input type="checkbox"/> Rubric   <input type="checkbox"/> Checklist   <input type="checkbox"/> Quiz</p> <p><input checked="" type="checkbox"/> Other <u>Writing, individual work on percentages</u></p>	<p><b>Ongoing Formative Assessment</b></p> <p><input type="checkbox"/> Nonverbal responses to comprehension questions (e.g., answer cards, Kahoot)</p> <p><input type="checkbox"/> Peer-to-peer quizzing</p> <p><input type="checkbox"/> Exit/admit tickets</p> <p><input checked="" type="checkbox"/> KWL charts</p> <p><input type="checkbox"/> Other _____</p>
<p><b>Language Demands</b></p> <p><i>Include academic language and any language that may affect a student’s ability to access the content in directions, examples, tasks, etc.</i></p>	<p>Vocabulary specific to car finances</p> <p><i>negotiate, down payment, interest, trade-in</i></p> <p>Language useful for politely disagreeing, extending a conversation, and turn-taking:</p> <ul style="list-style-type: none"> <li>• That’s a good point, but have you thought about ...</li> <li>• Interesting!</li> <li>• That was not my experience; let me tell you ...</li> <li>• What else do you remember about that?</li> <li>• We haven’t heard from _____ yet; let’s give her a chance to contribute.</li> <li>• Hmm, what makes you say that?</li> <li>• Huh, where did you find that information?</li> </ul> <p>Have you considered ...?</p>	



<p><b>Adaptations and/or Accommodations</b></p> <p><i>How will EVERY student have access to the content of the lesson? Identify differentiation strategies and consider misconceptions from the unit plan.</i></p>	<ul style="list-style-type: none"> <li>• Allow for adequate think time and “turn and talk” time before asking volunteers to share with the group.</li> <li>• Revisit vocabulary from the previous unit as well as specific terms for this lesson as needed, particularly financial terms.</li> <li>• Tap into the opening KWL exercise to uncover level of knowledge and confidence about purchasing a car.</li> <li>• Read aloud the math activity instructions and model the math work together before having the students work independently.</li> <li>• Provide calculators to use for checking calculations.</li> <li>• Arrange student partner pairs so partners’ abilities are complementary.</li> </ul>	<p style="text-align: center;"><b>MATERIALS</b></p> <ul style="list-style-type: none"> <li>• Note paper or a prepared KWL chart</li> <li>• Down Payment Math Activity handout (Appendix B)</li> <li>• Screen, board, devices, internet</li> <li>• Calculators (on phone is fine)</li> </ul>
<p><b>Introduction</b></p> <p><i>How will you introduce the lesson objective and explain how it fits into the unit/LOI? Identify its relevance to learners’ needs and goals.</i></p> <p><b>Time: 15 minutes</b></p>	<p>Show a few photos (flip through on screen, if available) of car dealerships or car purchasing. Make sure the photos vary in context (new and luxurious, used and respectable, used and dingy, a simple “for sale” sign on a personal car in a yard, an online car marketplace site, etc.).</p> <p>Ask students what they see in these photos. Write down the contexts on the board for purchasing vehicles as they name them (dealership, used car lot, private party, auction, online [e.g., CarsDirect.com]).</p> <p>Once they have briefly shared general observations on these purchasing contexts, initiate and facilitate a discussion (first in small groups of 3–4, then as a large group) about the various options available when buying a new or used car. Invite learners to share what they like or do not like about each option, whether for monetary or nonmonetary reasons.</p> <p>Provide the sentence frames below on a screen or sheet for students to use as they talk with peers.</p> <p>First, allow the room to be quiet and let students think on their own for a couple of minutes to prepare their thoughts.</p> <ul style="list-style-type: none"> <li>• The best way to buy a car is _____.</li> <li>• You shouldn’t buy a car at _____ because _____.</li> <li>• The great thing about buying a used car is _____ but a potential problem could be _____.</li> </ul>	



- When it comes to buying a car, I wish I knew more about \_\_\_\_\_.
- One thing I know for sure about buying a car is \_\_\_\_\_.

After they have had a couple of minutes to think quietly and before the discussion begins, refer students to phrases generated and practiced in previous classes around politely disagreeing, extending a conversation, and turn-taking. Elicit or remind them of these helpful phrases: That's a good point, but have you thought about ...? Interesting! That was not my experience; let me tell you .... What else do you remember about that? We haven't heard from \_\_\_\_\_ yet; let's give her a chance to contribute. Hmm, what makes you say that? Have you considered ...?

Assign one person in the group to be the monitor (to make sure everyone contributes and to move through the sentence prompts when needed), and assign another to be the timekeeper. Allow group discussion to continue for several minutes, as long as it is productive, and circulate to identify who is fairly new to the topic and who has a lot of knowledge about car buying and owning.

Bring the whole group back together, and ask volunteers to share in one or two words how they feel about past car-buying experiences.

(Optional: Ask for volunteers with particularly colorful stories to share a bit more about their car-buying experiences. These stories might be referenced later as relevant examples.)

Point out that regardless of where they look for a car to buy, investigating car costs in advance can help narrow down purchase options and reduce the risk of surprise (or buyer's remorse) when negotiating the purchase price. That's what the students will be working on in the next few classes in the unit on car purchasing and owning. This lesson focuses on just one aspect of car buying: calculating a down payment.

Now that they have shared orally with their classmates what they know, assume, and would like to know about car buying, allow a few minutes for the students to independently complete a KWL exercise (the first two columns; the "learn" one comes later) in which they write what they know



about car buying and in particular what they want to know about the financial aspects of buying and owning a car.

Throughout lesson, build on what students already know to address what they want to learn.

What I already know about buying a car	What I'd like to know about buying a car	What I've learned about car purchasing

**Central Skills:** Self-Awareness, Interpersonal Skills, Communication, Respecting Differences and Diversity, Navigating Systems



## Explanation and Modeling

*What type of direct instruction do learners need? Are there ways for learners to access the new content independently? What types of models will you provide and when?*

**Time: 20 minutes**

Direct learners to hold on to their KWL charts, as they will add to the final column later in the lesson or unit.

Tell students that you will focus next on the financial side of buying a car. Ask, "What should we keep in mind when purchasing? Are there any terms we need to know?" (Call on those who have purchased a car before to share their insights briefly). Elicit terms: *down payment range, loan limits, cash, trade-in value, taxes, fees*. Teach these words as needed, particularly *down payment range* and *loan limits*.

### Car-Buying Guidelines

Ask students what they think are some guidelines for car buying—not guidelines regarding the car itself but guidelines for PAYING for a car. Ask them to find information about down payment range and loan limits. (Teach these terms if they are unfamiliar.) Give teams of 2 or 3 people 10 minutes to search online on their own or a school device (provide 1 or 2 credible websites if a group appears to be struggling) to see what they can find about guidelines or rules of thumb related to purchasing a car.

Bring the group together for the teams to share what they discovered.

Reasonable responses to this internet search:

- The car down payment range is 10% to 20%.
- The monthly loan payment should be less than 15% of monthly take-home pay.
- The car purchase price should be 10% to 15% of annual gross income or less.

Tell students that the class will now work on figuring out down payments and practice doing the math.

**Central Skills:** Navigating Systems, Communication, Problem Solving

- Laptop for every small group
- Internet access



## Guided Practice

*Which tasks and learning activities will you use to engage learners with the content and skills? How will you structure the tasks or other learning activities to support learners' success?*

**Time: 20 minutes**

Acknowledge that cars are expensive. Questions to ask when buying a car include these: "How can we pay for it?" "How much do we need up front as a down payment if we need a loan?" "Can we trade in our old car?"

Also acknowledge that buying a car by paying all cash or by borrowing money is an individual choice. When borrowing, an individual has new choices, such as where to borrow from (e.g., dealership, bank or credit union, another person), how much to borrow, and for how long to borrow.

Tell students that you will start with a basic down payment calculation, then add in trade-in value, and finally do an example with an online calculator.

Work through one example on the board or screen for each type of calculation the students will be doing when they work on the handout:

**With 20% down payment:** Calculate 20% down payment amounts.

Sample: \$30,000 car price  $\times$  .2 (20%) = \$6,000 down payment

Ask if any students remember the percentages they paid in the past.

Ask if any students have lessons learned to share about down payments.

Refer to Teaching Tip #1 (Appendix A) for more background information on the concept of "down payment" that can be shared with students.

**With trade-in:** Calculate 20% down payment amounts, then subtract trade-in value to determine the amount of cash needed at the time of sale.

Sample: \$30,000 car price  $\times$  .2 (20%) = \$6,000 down payment. \$6,000 – \$2,000 trade-in = \$4,000, which is the amount of cash needed to complete the sale.

Ask if any students have experiences to share about trade-ins.

Refer to Teaching Tip #2 (Appendix A) for more background information on trade-ins that can be shared with the students.

**Loan amount and monthly payment:** Use an online calculator to determine loan amounts and payments.

Calculators: [www.kbb.com](http://www.kbb.com) (research tools), [www.BankRate.com](http://www.BankRate.com) (loans)

Sample: \$30,000 loan  $\times$  .04 (4%)  $\times$  5 years (60 months) = \$552 payment.

\$33,150 total paid over 5 years - \$30,000 borrowed principal = \$3,150 interest.

**Central Skills:** Navigating Systems, Communication

- Laptop for every small group
- Internet access
- Projector or board
- Teaching Tips (Appendix A)



**Application/Extended Practice:**

*What will learners do to demonstrate their acquisition of content knowledge, basic skills, and key soft skills?*

**Time: 30 minutes**

Distribute the Down Payment Math handout (Appendix B). Guide individuals or pairs to work through each batch of math problems. Students can work independently or with a partner; guide them as makes sense given their comfort with the math.

- Read the instructions for each group, and define any unfamiliar terms.
- Allow time for students to calculate and compare answers with a partner.
- Have them share results. Use the Down Payment Math Activity – Answer Key handout (Appendix C).
- Have the students consider the question at the bottom of the sheet (Which is the better loan deal?) independently or with a partner and be prepared to share their answers.

Ask: Given the same borrowed amount and interest rate, which do you think is better, having a longer loan with lower monthly payments or a shorter loan with higher payments? What factors impacted your response? (Sample responses: The longer loan will incur more interest costs. But lower monthly payments might be a preference for someone on a very tight budget.)

Ask: How significant is the amount of interest paid over the 4 or 5 years?

Refer to Teaching Tip #3 (Appendix A) for more background information on the concept of “interest rates” that can be shared with students.

**Central Skills:** Critical Thinking, Navigating Systems, Communication, Problem Solving

- Down Payment Math Activity handout (Appendix B)
- Down Payment Math Activity – Answer Key handout (Appendix C)



**Student Reflection on Learning Targets, Closure, and Connection to Future Learning**

**Time: 20 minutes**

Since students have been seated awhile, have them stand up and move around the room in an informal two-question mingle:

1. What's your personal experience with down payments and interest rates?
2. If you had a LOT of money and needed no loan, what kind of car would you like to buy?

To close the lesson, have students revisit their KWL charts and complete the third column. What did they learn about purchasing a car today?

If time allows, have a few students share a word or two about what they are taking away from today's class.

Mention the following site for those curious about how much their current car is worth for trade-in: [www.kbb.com](http://www.kbb.com). Students who use the site should tell the class what their cars are worth tomorrow!

Preview upcoming lessons on ongoing costs of car ownership, making decisions about a new car, and negotiating prices with sellers.

**Central Skills:** Communication, Interpersonal Skills, Respecting Differences and Diversity



# Appendix A: Teaching Tips

## Teaching Tip #1

It can benefit a buyer to know in advance the amount available for a down payment but not to reveal intentions regarding a down payment until a selling price has been agreed to. The down payment amount will vary based on several factors, including how much the borrower has on hand and the amount the buyer can afford to borrow and repay in a reasonable time. Because new cars lose significant value the first year of ownership (the estimated decline is near 20%), it seems prudent to down pay close to 20% to avoid owing more than the vehicle will be worth. If a car is wrecked or stolen during the first year, insurance payout for the value of the car might be less than the loan amount that will need to be paid.

## Teaching Tip #2

Some people might consider having a car with a trade-in value similar to having money in the bank. Although car guides (such as *Kelley Blue Book*) factor type, age, mileage, condition, and demand when estimating a car's value, the actual value is what both parties (seller and buyer) agree to for the transaction.

When shopping for (or selling) a car, knowing the value of one's car gives leverage when negotiating a final price. Encourage learners to go online to [www.kbb.com](http://www.kbb.com) to estimate the value of a used car (from the case studies or their own auto). Rather than trade in an older car at the dealership, a consumer might receive a better price by selling the vehicle privately and then applying the cash received toward a down payment.

## Teaching Tip #3

Consumers need to read the fine print in ads because actual interest rates will vary due to factors such as length of loan and the buyer's credit record. Consumers with good credit records might be offered lower interest rates. Investigating interest rate options available from more than one source provides reference when negotiating purchase terms with a seller. If it would be a better deal, a buyer might choose to get an auto loan from a source other than the dealership where the car is purchased. When deciding on length of the loan, think ahead to the value of the vehicle. Three to 5 years makes sense for a car loan rather than 8 years, for with an 8-year loan the car value could be less than the loan payments made in a year.

The simple interest rate formula does not apply to auto loans when calculating interest. These types of loans are amortized over time, meaning that as the principal amount of a loan decreases due to payments, the amount of interest also decreases with each payment. The total loan repayment amount is typically averaged into equal monthly payments.

## Teaching Tip #4

Preparing before meeting with a salesperson includes anticipating costs, knowing what is affordable, and establishing criteria for vehicle type and car condition quality. Having clarity about personal preferences and criteria for a satisfactory outcome can give the consumer confidence to advocate for his or her own best interests and reduce the risk of buyer's remorse. A salesperson can be expected to be more concerned about closing a sale than about getting the consumer in the right car at an affordable price. Buyers may need to give themselves permission to say "no" and walk away rather than compromise, especially on their most important criteria, such as financial limits or product quality expectations.



# Appendix B. Down Payment Math Activity

## 20% Down Payment

For each car purchase below, what amount of cash is needed for a 20% down payment?

	#1	#2	#3
Car Price	\$18,000	\$23,450	\$27,300
20% down payment	<input type="text"/>	<input type="text"/>	<input type="text"/>

## With Trade-in

The trade-in value for an old car will be used as some or all of the down payment to buy a new car. After subtracting the trade-in value, how much cash will need to be paid (if any) to total a 20 percent total down payment?

	#4	#5	#6
Car Price	\$18,000	\$23,450	\$37,000
20% Down Payment	<input type="text"/>	<input type="text"/>	<input type="text"/>
Minus Trade-in Value	-\$1,000	-\$4,000	-\$8,500
Cash Payment Needed	<input type="text"/>	<input type="text"/>	<input type="text"/>



## Loan Amount and Monthly Payment

Use an online auto loan calculator to find the total loan amount and the monthly payment for each scenario.

	#7	#8	#9
Loan Amount	\$19,000	\$19,000	\$19,000
Interest Rate	3.75%	5%	5%
Number of Years/Months	4 years (____ months)	4 years (____ months)	5 years (____ months)
Monthly Payment	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Loan Amount	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Interest Amount	<input type="text"/>	<input type="text"/>	<input type="text"/>



## Appendix C. Down Payment Math Activity – Answer Key

### 20% Down Payment

For each car purchase below, what amount of cash is needed for a 20% down payment?

	#1	#2	#3
Car Price	\$18,000	\$23,450	\$27,300
20% Down Payment	\$3,600	\$4,690	\$5,460

### With Trade-In

The trade-in value for an old car will be used as some or all of the down payment to buy a new car. After subtracting the trade-in value, how much cash will need to be paid (if any) to complete a 20% down payment?

	#4	#5	#6
Car Price	\$18,000	\$23,450	\$37,000
20% down payment	\$3,600	\$4,690	\$7,400
Minus Trade-in Value	-\$1,000	-\$4,000	-\$8,500
Additional Needed Cash Payment	\$2,600	\$690	\$0 (trade-in exceeds 20% down payment)



## Loan Amount and Monthly Payment

Use an online auto loan calculator to find the total loan amount and the monthly payment for each scenario.

	#7	#8	#9
Loan Amount	\$19,000	\$19,000	\$19,000
Interest Rate	3.75%	5%	5%
Number of Years/Months	4 years ( <u>48</u> months)	4 years ( <u>48</u> months)	5 years ( <u>60</u> months)
Monthly Payment	\$427	\$438	\$359
Total Loan Amount	\$20,490	\$21,003	\$21,513
Total Interest Amount	\$1,490	\$2,003	\$2,513

