

Chapter 10

Owning a Car

Section 10 – 1

New Cars: Selecting and Financing



Finance Charge

- The amount that financing a car will cost.



Down Payment

- The amount paid in cash before taking out the loan.

Formula for monthly payments

- M = monthly payment
- P = amount of loan
- r = monthly interest rate
- n = number of payments

$$M = \frac{P \cdot r(1 + r)^n}{(1 + r)^n - 1}$$

Example

- Johnny is looking to buy a Corvette for \$53,500 and wants to know the monthly payments if he puts down \$10,000 as well as if he puts no money down.





Example – cont.

- What is the finance charge for both situations?



Before Buying

- Do some research:
 - Newspaper ads
 - Consumer Reports
 - Car and Driver
 - Motor Trend
 - Kelley Blue Book



Sticker Price (MSRP)

- The suggested retail price of the car.



Dealer's Cost (Invoice)

- The price the dealer pays for the car.



Markup

- The amount added to the dealer's cost to get to the sticker price.

Example

- If a dealer's cost for a 2009 Ford Mustang Shelby GT500 is \$40,967 and the sticker price is \$45,220, what is the markup?



- What is the percent markup?

Example

- If a dealer's cost for a 2009 Jeep Wrangler is \$24,545 and the sticker price is \$26,795, what is the markup?



- What is the percent markup?



Bait and Switch

- When dealers lure you in with low priced cars that are not available, then try to sell you more expensive cars.



Homework

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