Module 6

TRANSPORTATION

Enjoy the ride

JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

MODULE 6: TRANSPORTATION

Enjoy the ride

Keys to Your Financial Future is designed to help you plan how to get, manage, and use money now and in the future so you can have the life you envision for yourself.

If you are reading this module of ***Keys to Your Financial Future*** you have completed the core modules: Asset Building, Good Credit, and Money Management. This module of ***Keys to Your Financial Future*** covers getting transportation and managing the costs of transportation. The information in this module will build on concepts you learned about in the core modules.

In the first module, you learned about asset building and the role of productive assets. As a young person in or transitioning from foster care, access to transportation is one of your key productive assets.

Having transportation allows you to:

- **Get to school.**
- **Get to a job.**
- **Stay connected with your social networks and your family.**
- **Engage in volunteer or other activities.**

This module will focus on getting and paying for ***safe***, ***reliable*** and ***affordable*** transportation. If you are using your matched savings for transportation-related investments, this module will be especially important for you. But, whether you rely on public transportation, own a car or hope to own a car, transportation will be a key to your financial future.

When you finish this module of *Keys to Your Financial Future*, you will be able to do the following:

- **List the qualities of safe, reliable and affordable transportation.**
- **Identify and budget for mode of transportation that is *safe*, *reliable* and *affordable*.**
- **Determine amount of income dedicated to transportation that is affordable.**
- **Explain transportation as an asset.**
- **Describe the risks and rewards of owning a car.**
- **Explain how to search for cars to buy.**
- **Describe the steps to take to ensure a car is not a lemon or a bad deal.**
- **Explain the basics of car financing.**
- **List the barriers to getting a car and strategies for managing these barriers.**
- **Describe the steps needed to get a driver's license.**
- **Explain basic automobile insurance terms.**

> *Everyone has the right to walk from one end of the city to the other in secure and beautiful spaces. Everybody has the right to go by public transport.*
>
> — **RICHARD ROGERS**

Safe, ***Reliable***, and ***Affordable*** Transportation

Getting where you need to go is important. Whether it is to school, employment, the Opportunity Passport™ Financial Education Training, or visiting your friends and family, having ***safe***, ***reliable***, and ***affordable*** transportation is a key to being independent.

What does safe transportation mean?

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What does reliable transportation mean?

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What does affordable transportation mean?

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Balancing ***safety***, ***reliability*** and ***affordability*** when it comes to transportation can be difficult. Having a new car with all of the available safety features may provide you with safe transportation. But the costs of a new car may make it an unaffordable option. You may get an old car for a few hundred dollars. This may seem affordable. But, it may not be safe, and it may end up costing you because it has low gas mileage and may require a lot of repairs. You may live in a community that has bus service. But, the schedule may not be regular or available at times you need it—it may not be reliable for you.

This module will help you figure out what is ***safe***, ***reliable*** and ***affordable*** for you now or when you transition from foster care.

Safe, Reliable and Affordable

KEY CONCEPT

There are many different factors that might play into your choice for transportation. Focus on three:

- ***Safety***—will you be safe and keep others safe using this transportation option?
- ***Reliability***—is the transportation available when you need it? Is it something you can count on?
- ***Affordability***—is it something you can pay for without stressing you or your budget? Are your transportation costs below 20% of your ***net income***? (Remember net income is after taxes and deductions. It is what you take home, not what you make.)

Transportation Options

Unless you live within walking distance of where you go to school, where you work, where you can visit your friends and family, or where you may volunteer, you will need to have some form of transportation.

What transportation options can you think of?

"Nothing compares to the simple pleasure of a bike ride."

— JOHN F. KENNEDY

Circle the options that are possible for you.

The process of determining which transportation options are possible for you starts with identifying your needs. Why do you need transportation? This can help you determine what types of transportation options ***are truly options*** for you.

Keys to Your Financial Future Step 6.1: **Transportation Needs Assessment**

Complete the following table to help you determine your transportation needs. Identify what transportation options you actually have in getting from where you live to where you need to go and then back again to where you live. Use the "other" spaces to identify other places you may need to go in any given week.

	Walk	Bike	Someone else can reliably drive me	Bus (school bus)	Public trans.	Taxi	Car sharing (Zipcar for ex.)	Motorcycle or scooter	Personal car needed
School									
Extracurricular activities (sports, band, clubs, etc.)									
Opportunity Passport™ Trainings and Meetings									
Youth Board Meetings									
Other opportunities for socializing—visiting or going out with friends and family									
Job									
Bank or credit union									
Grocery store or other errands necessary to support yourself									
Other									
Other									
Other									
Total in Each Column									

Once you have filled in the table, total the responses in each column. The column with the highest score is likely the transportation option you can rely on or need to invest in for the time being. If you are still in foster care, you may want to repeat this exercise thinking about what your transportation needs will be once you are ready to transition to independence.

> *"Walking isn't a lost art—one must, by some means, get to the garage."*
>
> — EVAN ESAR

How Much Should You Spend on Transportation?

Transportation takes 10% to 20% of the budget of most people in the United States. In 2009, transportation represented 15.6% of the household budget.[1]

Once you are living independently, you can use 20% of your budget as a maximum threshold to ensure your transportation costs are not eating up more of your budget than they should be. This means that if you have $1,800 of monthly net income, your total transportation costs should be below $360 per month.

$1,800 × .20 = 360

Keys to Your Financial Future Step 6.2: Maximum Transportation Expenditures

If you are living independently, complete the following worksheet to identify the maximum amount you should keep ***all*** of your transportation costs.

Monthly net income ______________ **× .20 =** ____________________________

What do you think are the risks of spending more than 20% of your net income on transportation?

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[1] From the U.S. Bureau of Labor Stastics at **www.bls-gov/cex/csxann09.pdf**. Accessed May 2012.

Keys to Your Financial Future Step 6.3: Transportation Budget

If you are using or going to use anything except a personal car, use the form below to make your transportation budget.

	One-time or occasional expenses		Ongoing or regular expenses		Total cost
Transportation category	One-time purchase cost	Maintenance costs	Trips per week	Cost per trip	
Bicycle					
Paying friend or other who drives me for gas					
Public transportation					
Taxi					
Car sharing					
Other					
Other					
Total One-Time or Maintenance Costs				Total Ongoing Costs	
					× 4
				Monthly Estimate	

Transportation and Asset Building

Is transportation an asset?

What kind of asset is transportation?

Safe, ***reliable*** and ***affordable*** transportation is a productive asset. A productive asset is one that helps you get and keep other assets. In fact, some people would say that after education and training, transportation is your next most important productive asset because it connects you to jobs, volunteer opportunities, your social network, and more.

In most U.S. communities, people rely on cars to meet their transportation needs. This is because they cannot live, work, go to school, and accomplish everything they need to do by walking. In most communities, public transportation is not an option either. This is because it may not exist or the schedules may be inadequate.

If you are lucky enough to live in a community that has robust public transportation—New York City, Boston, Chicago, Washington DC, or San Francisco—you may avoid the cost of owning and operating a car. You will likely, however, pay more for housing.

In module 1, you learned about your asset building portfolio. Your asset-building portfolio is your collection of assets including the asset building you are doing now. The key was keeping your asset building portfolio in balance—investing time, money, and other resources in all asset-building areas.

Transportation and Asset Building

KEY CONCEPT

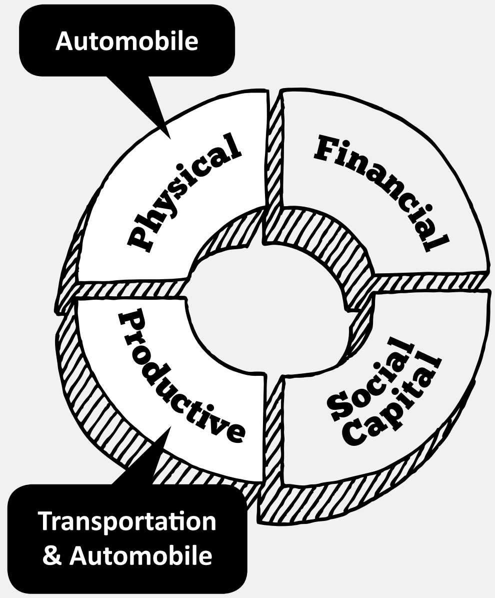
After education and training, some people would say transportation is your next most important asset. Why? ***Safe, reliable and affordable transportation connects you to everything.*** Without it, you may not be able to get to school, get to employment opportunities, volunteer, or build your social capital.

Investing in transportation is asset building—it's building a productive asset.

How does investing in transportation contribute to your asset building portfolio?

Does it add balance?

○ **YES** ○ **NO** ***If no, why doesn't it?***



Cars and Depreciation

KEY CONCEPT

When an asset loses value, it depreciates. Cars as a rule depreciate quickly relative to other assets. This means that the car will be sold for less than when it was new.

The greatest percentage of depreciation happens within the first two years an automobile is owned and driven. This is the reason many people look for used cars that are at least two years old. But every year a car is driven and owned, it is likely to lose a little more value.

Cars may be worth little in terms of their financial value because of depreciation. **But they may remain productive if they still work reliably.**

Today, 95% of Americans own cars. 85% of Americans use cars to get to their jobs. It wasn't always like this. People used to live in cities and walk or take public transportation to their jobs. Then the suburbs were created—cheap houses on cheap land—beyond the reach of most public transportation.[2] So people traded city life for suburban life, but in turn needed cars to connect them to jobs.

Today more and more people are advocating for increased access to public transportation. Some communities are also investing in walking and biking trails to provide people with safe ways to school and work. Most people are still in situations that require cars to get them from affordable housing to jobs and other opportunities.

What kind of asset is an automobile?

[2]U.S. Department of State's Bureau of International Information Program. *You Asked: Does Everyone in America Own a Car?* By Robin Chase. **www.america.gov**. Accessed May 2012.

An automobile that you own is a physical (tangible asset). It is something you own that has value. Like other assets, sometimes you have to borrow money to get the asset.

> *"Take most people, they're crazy about cars. They worry if they get a little scratch on them, and they're always talking about how many miles they get to a gallon, and if they get a brand-new car already they start thinking about trading it in for one that's even newer. I don't even like old cars. I mean they don't even interest me. I'd rather have a horse. A horse is at least human."*
>
> **— J.D. SALINGER, CATCHER IN THE RYE**

KEY ACTIVITY

Depreciation and Equity

With the group or a partner, read the case study and calculate the equity of Tayvonne's car.

Tayvonne wants to buy a car. He has found a safe car that is certified by a used car dealer selling for $7,500 including sales tax. It gets good mileage (30 city/36 highway), so he feels it will be affordable. He has $500 for a down payment, so he will have to borrow $7,000.

On the day he buys the car, he will have $500 in equity in the vehicle.

Automobile value: $7,500	minus	Automobile loan: $7,000	equals	$500
Asset		Liability		Equity

As Tayvonne pays down his loan, his equity should increase. But because cars depreciate (lose value) the value of the asset will also decline.

He does not have much of a credit history, so the best rate he can get at the credit union for the loan is 9.25%. To keep his monthly payments manageable, he is opting for the 3-year loan term rather than 2-years. His monthly payments are $223.41.

After one year of on time payments, how much equity will he have?

Automobile value: $6,800	minus	Automobile loan: $4,878.07	equals	?
Asset		Liability		Equity

During this first year, he will have paid $559.04 in interest.

Sometimes automobiles will be driven to the point where they have little financial value. This is because of depreciation. Even though a vehicle is no longer worth much, it may still be a productive asset. This means it can still help you get and keep other assets. A car that is not worth much can still get you to and from school, a job, volunteer commitments, and social opportunities.

Therefore a car is both a physical asset and productive asset.

KEY ACTIVITY

A Car as a Productive Asset

Read the case study below. Describe the ways in which a car is a productive asset for Mei by identifying the assets it helps her get and keep.

Mei was 18 years old and still in foster care. She had recently enrolled in Opportunity Passport™. After meeting with staff at the Opportunity Passport™ site, she decided to use her matched savings for a car. She had been accepted into a veterinarian technician (vet tech) program the following fall and had most of these expenses covered using the Chafee ETV program as well as other federal grants and loans.

While Mei was saving for her car, the Opportunity Passport™ staff helped her find an appropriate driver's education course. She completed this. The staff also coached her on getting her driver's license.

Upon reaching her savings goal, she used the information from the Opportunity Passport™ Financial Education Training to comparison shop for a used car. First she determined what she could afford. Then she researched vehicles that would be safe, reliable and affordable in this price range using Kelley Blue Book and Consumer Reports. Then she reviewed the classified ads, visited a car dealer and visited a used car superstore. In the end, she bought a certified used car from the used car superstore.

With her own transportation, Mei was able to get a better job paying $9.50 an hour (previously she had been making minimum wage with hours only on the weekend because she could not reliably get to a job during the week). She was also able to volunteer at a local animal shelter. Through this volunteer experience, she met and worked with two veterinarians who were also volunteering their time at the animal shelter. One of those veterinarians invited her to work for her while she was in vet tech school. Mei had never dreamed this kind of opportunity would be a possibility before completing her education, and she immediately accepted this position.

Mei was also able to make all of the youth board meetings and agreed to mentor another young person in foster care who was two years younger.

Finally, having her own transportation allowed Mei to visit her brother and sisters who were in foster care placements 25 miles from where she lived. Being able to see her siblings one or two times per month brought a lot of joy to Mei's life.

A Car as a Productive Asset

KEY CONCEPT

Cars do not generally increase in value. The only exception to this rule is collector cars or cars that are rare. Most people buy a car knowing it will decline in value.

So why do they do it? Because a car is a productive asset for them.

Even if a car's book value (the value it could be sold for) is near zero, it can still get you to your job, your school and help you connect with your family and social networks.

What assets does Mei get because of the car?

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What assets does Mei get to hold onto or retain because of the car?

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Risks and Rewards of Owning a Car

Owning a car can bring many rewards as described in the previous case study. But with rewards come risks. A risk is any chance of loss. Owning a car not only provide rewards, but exposes you to new risks.

"Don't drive as if you owned the road. Drive as if you owned the car."

— ANONYMOUS

KEY ACTIVITY

Rewards and Risks of Owning a Car

With a partner or your small group, brainstorm a list of the rewards to owning a car. Then identify the risks that come with getting those rewards.

Rewards of Owning a Car	Risks of Owning a Car

The rest of this module will examine ways to lessen some of those risks—from learning about financing vehicles to learning how to research vehicles.

If you think you will always be able to rely on public transportation or some other kind of transportation that is not your own car. The rest of this module is specifically about getting and insuring a safe, reliable and affordable car.

Buying a Car

When you buy a car, you can do one of the following:

- Pay for it in full.
- Finance it over time.

If you finance it over time, you will pay more for the total price of the car because of the interest and fees on the loan.

KEY ACTIVITY

Paying in Full vs. Financing a Car

With a partner or your group, read the following case study. Then answer the questions that follow.

Aaliyah and Alex are shopping for cars together following one of the Opportunity Passport™ Financial Education classes. Aaliyah is planning to use her matched savings to buy a car. She wants to pay cash. Alex is using his matched savings for education. He wants to finance a car—get a loan for it. They find a used car in good condition for $6,000 including sales tax.

Aaliyah will pay $6,000 for the car.

Alex can get a loan for the $6,000. He will pay 7.99% for the loan for 2 years. His amortization schedule is below.

Using the amortization schedule on page 13, answer the questions that follow..

What is Alex's monthly payment?

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How much interest will Alex pay?

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How much more will Alex pay for his car than Aaliyah?

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Loan amount	$6,000.00
Annual interest rate	7.90%
Loan period in years	2
Start date of loan	1/1/2014

Monthly payment	$271.34
Number of payments	24
Total interest	$512.07
Total cost of loan	$6,512.07

No.	Payment Date	Beginning Balance	Payment	Principal	Interest	Ending Balance
1	2/1/2014	$6,000.00	$271.34	$231.39	$39.95	$5,768.61
2	3/1/2014	$5,768.61	$271.34	$232.93	$38.41	$5,535.69
3	4/1/2014	$5,535.69	$271.34	$234.48	$36.86	$5,301.21
4	5/1/2014	$5,301.21	$271.34	$236.04	$35.30	$5,065.17
5	6/1/2014	$5,065.17	$271.34	$237.61	$33.73	$4,827.56
6	7/1/2014	$4,827.56	$271.34	$239.19	$32.14	$4,588.37
7	8/1/2014	$4,588.37	$271.34	$240.79	$30.55	$4,347.58
8	9/1/2014	$4,347.58	$271.34	$242.39	$28.95	$4,105.19
9	10/1/2014	$4,105.19	$271.34	$244.00	$27.33	$3,861.19
10	11/1/2014	$3,861.19	$271.34	$245.63	$25.71	$3,615.56
11	12/1/2014	$3,615.56	$271.34	$247.26	$24.07	$3,368.30
12	1/1/2015	$3,368.30	$271.34	$248.91	$22.43	$3,119.39
13	2/1/2015	$3,119.39	$271.34	$250.57	$20.77	$2,868.82
14	3/1/2015	$2,868.82	$271.34	$252.23	$19.10	$2,616.59
15	4/1/2015	$2,616.59	$271.34	$253.91	$17.42	$2,362.67
16	5/1/2015	$2,362.67	$271.34	$255.60	$15.73	$2,107.07
17	6/1/2015	$2,107.07	$271.34	$257.31	$14.03	$1,849.76
18	7/1/2015	$1,849.76	$271.34	$259.02	$12.32	$1,590.74
19	8/1/2015	$1,590.74	$271.34	$260.74	$10.59	$1,330.00
20	9/1/2015	$1,330.00	$271.34	$262.48	$8.86	$1,067.52
21	10/1/2015	$1,067.52	$271.34	$264.23	$7.11	$803.29
22	11/1/2015	$803.29	$271.34	$265.99	$5.35	$537.30
23	12/1/2015	$537.30	$271.34	$267.76	$3.58	$269.54
24	1/1/2016	$269.54	$271.34	$269.54	$1.79	$(0.00)

What are the rewards for the way Aaliyah is paying for her car? The risks?

Rewards	Risks

What are the rewards for the way Alex is paying for his car? The risks?

Rewards	Risks

Would you rather be Aaliyah or Alex? Why?

Although, Alex will pay more for the car, he does not have to come up with the full $6,000 at one time. He will pay a little of that amount plus interest every month for 24 months. Aaliyah on the other hand is trading off the use of $6,000 all at once, but she will not have monthly payments to worry about.

You will also have to choose between buying a new car and buying a used car. Most people find used cars more affordable upfront. Used cars cost less at the outset. But repair and maintenance costs may be higher because the car was owned by someone else (or possibly many people) before you.

When it comes to financing a new car versus a used car, however, you will generally have a higher APR (annual percentage rate) and shorter terms (fewer months) on a used car loan than on a new car loan.

Car Financing Basics

There are many places that offer loans for cars:

- Banks and credit unions.
- Car dealers.
- Other loan providers.

As with all loans, the better your credit report and credit scores, the less you will pay for the loan. In fact credit scores matter a lot. In September 2011, credit score ranges and loan rates for *new automobiles* as well as down payment requirements were as follows:[4]

People with credit scores of 720 or greater (Tier 1 customers)

	Banks	Credit Unions
36 months	3.63%	3.54%
48 months	3.65%	3.65%
60 months	3.73%	3.76%
Typical down payment	0%	0%

People with credit scores between 700 – 719 (Tier 2 customers)

	Banks	Credit Unions
36 months	4.42%	4.01%
48 months	4.44%	4.12%
60 months	4.51%	4.22%
Typical down payment	0%	0%

People with credit scores between 670 – 699 (Tier 3 customers)

	Banks	Credit Unions
36 months	5.96%	4.92%
48 months	5.97%	5.03%
60 months	6.02%	5.13%
Typical down payment	10%	0%

Why is New Car Financing Different from Used Car Financing?

KEY CONCEPT

When it comes to financing a new car, your APR will be lower and longer terms will be available to you when compared with used cars. **Why?**

In auto loans, the loans are secured with the vehicle being purchased. New cars are worth more, generally they have fewer problems and from the perspective of the lender, easier to sell should you not pay on the loan and repossession becomes necessary. So, you get a break on the rate and terms for a new car.

“When buying a used car, punch the buttons on the radio. If all the stations are rock and roll, there’s a good chance the transmission is shot.”

— LARRY LUJACK [3]

[3]**www.quotegarden.com/driving.html**. Last modified 2012 May 13 Sun 19:43 PDT
[4]*Car Financing in a Recovering Economy Effortless for Prime Borrowers, Getting Easier for Subprimes* Published: 01/13/2011 Updated: 09/08/2011—by Ronald Montoya, Consumer Advice Editor **www.edmunds.com**.

People with credit scores between 630 – 669 (Tier 4 customers)

	Banks	Credit Unions
36 months	7.95%	6.72%
48 months	7.97%	6.83%
60 months	8.04%	6.95%
Typical down payment	15%	0%

People with credit scores below these ranges are considered subprime or deep subprime. Subprime means the loans will cost a lot. Someone is considered to be a deep subprime customer if his or her credit scores are below 550 indicating credit problems. But, people with poor credit can get auto loans—they just pay more.

According to Bankrate.com, in March of 2012, subprime borrowers (those with credit scores between 550 and 630) were paying on average 9.55% for new car loans and 14.17% on used car loans. Deep subprime borrowers (those borrowers with credit scores below 550) were paying on average 12.51% for new car loans and 17.38% for used car loans.

Do a few percentage points of difference in auto loan rates make a difference? Review the following example and see what you think.

Key Loan Terms

KEY CONCEPT

Principal is the amount of money you borrow.

Interest is the "price" you pay to the lender or creditor for borrowing the money. The price is quoted as an ***APR***, which stands for ***annual percentage rate***. It includes both the interest rate and any fees that everyone getting this loan would have to pay. APR does not include late fees, over the limit fees or other fees applied for not following the terms of the loan.

Terms of the loan are the things you agree to follow when taking out a loan. These include interest rate, kind of interest rate, fees, length of the loan, where payments are due and more.

KEY ACTIVITY

Does Interest Rate Really Matter?

Use the information from the past few pages to answer the questions that follow.

Olivia, Leonard, and Sam were applying for new car loans.

The bank pulled one of Olivia's credit scores. It was 650. What rate would she pay for a 36 month (3-year loan) at a bank using the above information?

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Leonard's credit score was 718. What rate would he pay for a 36 month (3-year loan) at a bank using the above information?

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Sam's credit score was 507. What rate would he pay for a 36 month (3-year loan) at a bank using the above information?

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Olivia and Sam will pay more each month and more interest over the life of the loan than Leonard will. How much more? Compare the information below.

	Leonard	Olivia	Sam
Credit Score	718	650	507
Rate	4.42%	7.95%	12.51%
Term	36 months	36 months	36 months
Amount Borrowed (Principal)	$15,000	$15,000	$15,000
Monthly Payment	$445.67	$469.70	$501.88
Interest Paid Over the Life of the Loan	$1,044.04	$1,909.18	$3,067.55

How much more does Olivia pay than Leonard?

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How much more does Sam pay than Leonard?

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The length of the loan can also make a big difference in both the monthly payment and the amount of interest paid over the life of the loan.

If you increase the terms of the loan, will your monthly payment go up or go down?

○ **UP** ○ **DOWN**

If you increase the terms of the loan, will the total amount of interest you pay over the life of the loan go up or go down?

○ **UP** ○ **DOWN**

Leonard, Olivia, and Sam wanted to find out how things would change if they stretched out the terms of their loan from 3 years (36 months) to 5 years (60 months).

	Leonard	Olivia	Sam
Credit Score	718	650	507
Rate	4.42%	7.95%	12.51%
Term	60 months	60 months	60 months
Amount Borrowed (Principal)	$15,000	$15,000	$15,000
Monthly Payment	$279.10	$303.79	$337.55
Interest Paid Over the Life of the Loan	$1,746.00	$3,227.23	$5,252.72

From these examples, you can see that the following are true:

- Lower interest rates mean lower monthly payment.
- Lower interest rates mean less interest paid over the life of the loan.
- Longer terms mean lower monthly payments.
- Longer terms mean higher (and sometimes much higher) levels of interest paid over the life of the loan.

Finally, it is obvious that if Leonard, Olivia, and Sam borrowed less money altogether—purchased a used car for half the amount—their monthly payments and total interest paid on the loan would decrease.

Key to determining which loan to take is three considerations:

- What can you afford?
- What can you maintain from a cash flow perspective—What payment can you sustain month after month even if your income changes?
- What loan payment in combination with all other expenses of owning and operating a vehicle keeps you below 20% of your net income?

If you are under 18 years old, you will likely need a co-signor on the loan that is over age 18. ***Remember anyone that acts as a co-signor on your behalf is legally responsible for the loan.*** If you don't pay, the creditor (bank, credit union, or car dealer) will go after your co-signor for payment. If you don't pay as agreed, your credit scores will drop. And your co-signor's credit scores will drop, too.

> *"Stringing a car loan out is not healthy. Four years on an auto loan is normal. Seven years is not. Your loan shouldn't last longer than the car."*
>
> **— GREG MCBRIDE**

Bad Credit, No Problem

KEY CONCEPT

Have you seen car dealers advertise using this phrase? They may also state that they don't turn anyone down!

Dealers promising "financing for anyone" are likely to do the following:

- Require a very large down payment.
- Charge a very high interest rate.
- Offer very short terms on your loan.

In general, these businesses should be avoided. Often people end up owing a lot more than the car is worth because of the financing terms.

If you cannot qualify for a car loan, review module 2 on credit and work with Opportunity Passport™ site staff to bring up your credit scores.

When You Don't Pay Your Loan

KEY CONCEPT

When you don't pay your auto loan as agreed, your vehicle may be repossessed (the term Repo is commonly used instead of repossession.). This is allowed because you will have pledged the vehicle you are buying as collateral for the auto loan—whether it is a new or used car. In fact, the lender has a lien on your automobile and may be listed as a lien holder on your automobile title.

In many states, your creditor can seize your vehicle as soon as you default on your loan or lease. Your contract should state what constitutes a default, but ***failure to make a payment on time is a typical example***.

However, if your creditor agrees to change your payment date, the terms of your original contract may not apply any longer. If your creditor agrees to such a change, make sure you have it in writing. Oral agreements are difficult to prove.

Once you are in default, ***the laws of most states permit the creditor to repossess your car at any time, without notice, and to come onto your property to do so***. But when seizing the vehicle, your creditor may not commit a "breach of the peace." In some states, that means using physical force, threats of force, or even removing your car from a closed garage without your permission.

Source: Federal Trade Commission; **www.ftc.gov**

Using Your Opportunity Passport™ Matched Savings on a Vehicle

One of the allowable uses of your Opportunity Passport™ matched savings is to purchase a vehicle.

You can use the Opportunity Passport™ matched savings to do the following:

- ➜ Buy the vehicle.
- ➜ Make a one-time payment of car insurance in conjunction with the purchase of a vehicle.
- ➜ Pay for title and registration fees in conjunction with the purchase of a vehicle.

You cannot use the Opportunity Passport™ matched savings for these expenses:

- ➜ Car repair or maintenance.
- ➜ Driver's license.
- ➜ Car inspection.
- ➜ Vehicle lease.

Keys to Your Financial Future Step 6.4: Opportunity Passport™ Matched Savings for a Vehicle

Do you plan to use your Opportunity Passport™ matched savings for a vehicle?

○ **YES** ○ **NO**

If yes, how do you plan to use the Opportunity Passport™ matched savings?
(check those that apply)

- ○ Buy the vehicle.
- ○ Make a one-time payment of car insurance in conjunction with the purchase of a vehicle.
- ○ Pay for title and registration in conjunction with the purchase of a vehicle.

Savings Goal and Potential Value of Your Opportunity Passport™ Matched Savings

Amount you will save in your Opportunity Passport™ matched savings	$
Match rate	×
Total potential value of your Opportunity Passport™ matched savings	=

How much more will you need to get your vehicle?

____

What are your plans for coming up with the additional funds you need to get and maintain your vehicle?

____

____

____

Where Can You Buy a Car?

Where are all of the places you can think of to buy a car?

____

____

____

____

____

____

New cars can either be purchased from an automobile dealer or from the manufacturer, generally through a website.

Used cars can be purchases from individuals. These are often called private sellers. You can also buy cars from dealers. Rental car companies (Enterprise and Hertz are examples of rental car companies) and leasing companies also sell used cars. Finally, there are used car superstores like CarMax that can be accessed online or in person.

A Guide to Reading the Pricing Service Guides

KEY CONCEPT

When looking at information on one of the used car information websites, you may see one of three terms:

- ***Trade-in value***—the amount a car dealer is likely to pay for a used automobile that is traded in for another car.
- ***Private party value***—the amount an individual selling the car independently is likely to get for the vehicle.
- ***Retail value***—the amount a car dealer will ask for a car.

> *"Drive-in banks were established so most of the cars today could see their real owners."*
>
> — E. JOSEPH COSSMAN

How to Buy A Car

You know a lot about car financing and will learn about tools to help you pick a car later in the module. This section is going to cover a little more about buying a car. In fact, here are six things to remember when buying a car:

1. ***Decide if you will buy a new or used car.*** Remember, new car financing is different from used car financing. Whether a car is new or used will also affect the amount you pay for insurance and most likely repair costs. You will learn more about finding out about cars you are thinking of purchasing in the next section.

2. ***Figure out what you can afford to buy AND operate.*** Use the budget worksheet (next section) and examine car affordability (this is covered later in the module). Be sure to consider both the cost to buy the car and run it.

3. ***If possible, get pre-approved for financing at a credit union or a bank.*** This can make the negotiation process easier when looking at cars. You will need the make and model of the vehicle(s) for which you want to get preapproval.

4. ***Understand your warranty options.*** A warranty is an assurance that things will function as they are supposed to. When you get a new vehicle, you will get a manufacturer's warranty. You will likely be offered an extended warranty option. This is like insurance. It will cost you money for the coverage, but it may save you money in the long run. Research whether the extended warranty is a good option for you. When you buy a used vehicle, ask if the manufacturer's warranty is still valid. If not, you will have the option to purchase a warranty from the car seller if from a dealer or through an independent company if from an individual. BE VERY CAREFUL in buying warranties as there are many scams associated with car warranties.

5. ***Be clear about what you need and want BEFORE negotiating with a car seller.*** They benefit from every "add on" they talk you into. Their objective is to get you to pay as much as possible for a car. Why? They are paid on commission. This means their pay is based on a percentage of the sales price. The more you pay, the more they earn.

   If possible, take a friend that knows your budget and can keep you in check during the negotiation process. Learn about some of the techniques used by car sellers so you can avoid them. And never sign the first offer in a negotiation.

6. ***Finally, remember a test drive creates NO obligation to the seller.*** A test-drive is just that—an opportunity to see how you like the car. You are not obligated to the seller in any way for the time he or she spends with you on a test drive. In fact, never buy a car the same day you test drive it. This creates a cooling off period and helps you determine whether or not the car is right for you.

There is a lot of information online to help you buy a car. Be prepared by researching the cars you are considering, financing options and even ways to negotiate more effectively before visiting a car lot.

Making a Budget for Your Car

Before heading out to find a car, make a car budget. This includes planning how much you think you could pay each month for the car, but it also includes planning other expenses. Some expenses may be one-time expenses, some may be one-time-per-year expenses, some may be every few months, and other expenses you may have monthly or more frequently. And remember, all of the expenses combined should represent no more than 20% of your net income monthly or yearly.

> *"Normal Is getting dressed in clothes that you buy for work and driving through traffic in a car that you are still paying for—in order to get to the job you need to pay for the clothes and the car."*
>
> **— ELLEN GOODMAN**

Keys to Your Financial Future Step 6.5: Budget for a Car

Use the table below to brainstorm the expenses of owning and operating a car. Once you have brainstormed the list, identify whether the expense is one-time or recurring. And if it is recurring, determine how often it is recurring.

Expense	One-time	Once a Year	A Few Times Per Year	Monthly	More Than Monthly
Ex. Gasoline					√

Now that you have brainstormed all of the expenses of getting and keeping a car, you can make a budget. This can help you pick the right car when the time comes.

	Monthly Budget		Expenses to Save For	
Expense	**Weekly Amount**	**Monthly Amount**	**Quarterly Amount**	**Annual Amount**
Ex. Gasoline	$47.50	$190		
Ex. Car payment		$234		
Ex. Car insurance			$500	
Total in Each Column				

Is the amount less than 20% of your net income?

○ **YES** ○ **NO**

If no, get help on finding ways to cut down your transportation costs. Now that you have finished a complete budget for your car, go back and add it to the overall budget you created in Module 3.

Getting Information about the Value of Cars[5]

> *Car designers are just going to have to come up with an automobile that outlasts the payments.*
>
> — **ERMA BOMBECK**

Where can you get reliable information about what cars are worth? In the automobile industry, there are four publications you can use:

- Kelley Blue Book.
- Edmunds Car Guide.
- NADA guides.
  (National Automobile Dealers Association)
- Black Book.

Each guide compiles its information differently, so if you are shopping for a new car it may be useful to consult a few sources. They all offer information online, but some offer more information in their printed publication.

- ***Kelley Blue Book***, for example, provides three car values on its site: trade-in value, private party value and retail value. It also rates car condition—excellent, good, fair or poor—and provides different car values based on the car condition. The prices are based on what cars are selling for at auctions as well as the dealer asking price on new and used cars.

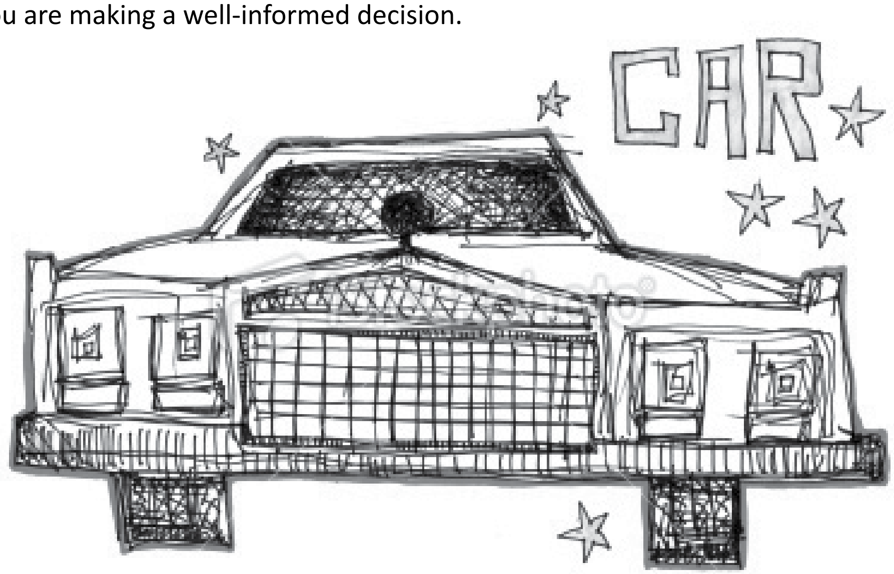
- ***Edmunds***, on the other hand, bases its prices on the actual prices new and used cars sell for. This is called the transactional price. Because they are based on the actual sales prices, their valuations for new and used cars tend to be lower than ***Kelley Blue Book***.

- The ***NADA guides*** uses dealer asking price on new and used cars, but assumes all cars are in clean condition. Unlike ***Kelley Blue Book***, it does not give difference prices based on car condition.

- Finally, the ***Black Book*** is different from the other three automobile evaluation sources in that it updates car prices weekly based on wholesale auction prices.

In addition, you can consult ***Consumer Reports***. To use their online service, you must subscribe. You can also visit your public library to consult print versions.

Consumer Reports is an independent nonprofit that evaluates and rates a broad range of consumer products including cars. To maintain their independence they do not accept money for advertising. Nor do they test free samples. Using ***Consumer Reports*** for making decisions about automobiles or any consumer product or service can help ensure you are making a well-informed decision.



What is a VIN?

KEY CONCEPT

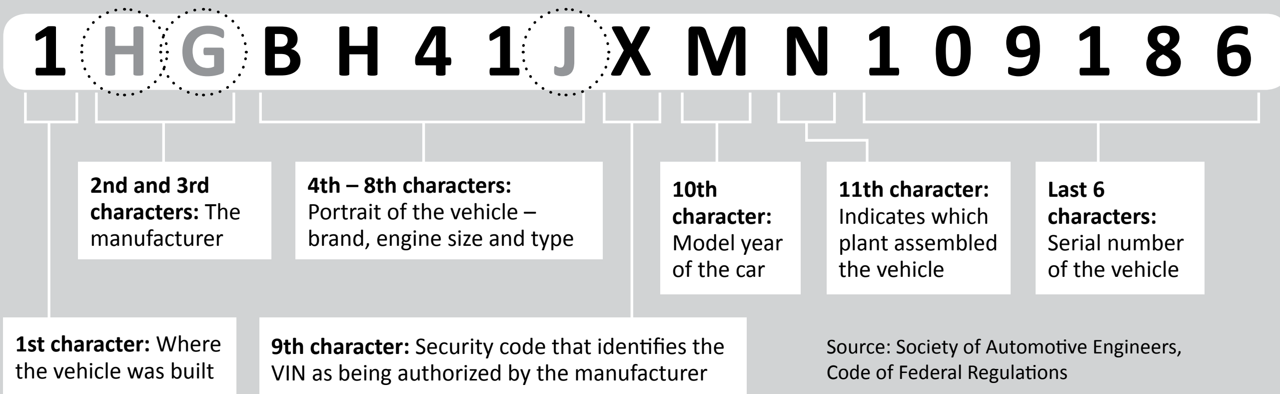
VIN stands for Vehicle Identification Number. Each vehicle has its own unique VIN number. VIN numbers are like Social Security Numbers for automobiles.

Flexible Fuel Vehicles can be identified by the 2nd, 3rd and 8th digits of the VIN

According to AutoCheck, the VIN number can be found "by looking at the dashboard on the driver's side of the vehicle" from outside the car.

VIN numbers are used to find out information. They are also used on insurance documents as well as vehicle title and registration documents.

Source: AutoCheck, a division of Experian **www.autocheck.com**



Source: Society of Automotive Engineers, Code of Federal Regulations

Avoiding a Lemon

A lemon in this case is not a sour fruit. It's a bad car. How do you avoid buying one? You do research.

First, check out safety and reliability features of cars you are considering through Consumer Reports. To access this information online, you must pay a subscription fee. Otherwise you can get this information for free at your public library.

Second, when you have narrowed your search to a few kinds of cars, check to see if there are any recalls (www.nhtsa.dot.gov; 800-424-9393) or Technical Service Bulletins (TSBs) (www.nhtsa.dot.gov/cars/problems/tsb/index.cfm). "TSBs," are reports a manufacturer sends its dealers about common or recurring problems with a specific model, and how to fix them.

Third, when you have a specific car in mind, check the VIN number through a service like Carfax or Autocheck. These services (some dealers will provide this to you free of charge) can do the following:

- Verify vehicle mileage (ensures you are not a victim of odometer fraud).
- Provide you with a record of service on the vehicle though this may not be complete.
- Provide you with vehicle accident record including flood or fire damage.
- Provide you with emission records—generally only on recent car models.
- Tell you how many owners the car has had.

Fourth, have the car inspected by an independent mechanic. This may seem like a big expense, but it is more expensive to deal with a car that has major problems.

Finally, if you take all of these steps and still have problems, consult your state's lemon laws. Lemon laws protect you from "throwing good money after bad" when you buy a car. If you experience multiple repairs for the same problem within the first 12 to 24 months of ownership, lemon laws require manufacturers to refund your money or replace your vehicle. Most lemon laws cover new cars only, but some states have modified lemon laws to cover used cars, too.

Private Sales versus Dealer Sales[6]

If you are selling a car, you are likely to get a better price if you sell the car privately rather than trading it in at a dealer. If you are buying a car, you are likely to get a better price for a used car from a private seller.

However, you will be trading a lower price for any dealer certification about the condition of the vehicle. You are also not likely to get a warranty for the vehicle. And, if something goes wrong, you generally have a clear path for recourse with a dealer. This is harder with a private seller.

Also ensure the vehicle has clear title before you pay. Generally, liens against a vehicle are printed on the title. ***Title*** is a document that shows evidence of property ownership. A car title shows who is the owner of a car.

How Much will This Vehicle Cost?—Affordability

Most people think about car cost in terms of how much they will pay to buy a car. This is one aspect of a car's affordability. But there are many other costs that come with owning and operating a vehicle. ***Kelley Blue Book*** actually provides car-by-car comparisons on the "total cost of ownership" of a car. This figure takes in account these elements over a five-year period:

- ***Financing***—This estimate assumes good credit, a 3.99% APR (annual percentage rate) and a 110% down payment.
- ***Maintenance of the vehicle***—This estimate is based on the costs of following the manufacturer's recommended service schedule.

[5] *What's the Real Price for That Used Car? Different Pricing Services Have Different Numbers.* By Jerry Edgerton on Home and Family Finance Resource Center, the Credit Union National Association. March 13, 2006.

> *"I've got two old Volvos, two old Subarus, and an old Ford Ranger. If you've got an old car, you've gotta have at least several old cars, 'cause one's always gonna be in the garage."*
>
> **— RIP TORN**

Housing and Transportation as a Percentage of Income

KEY CONCEPT

Have you ever thought about the relationship of where you live and your transportation costs? Many people move away from cities to find more affordable housing. But those savings in housing can often be eaten up by increased transportation costs.

The Center for Neighborhood Technology has identified a sustainable level–meaning something that can be maintained–of housing and transportation combined as a percentage of your income. Together, housing and transportation should be less than 45% of your income.

Consider this when thinking about both housing and transportation as you transition from foster care to independence.

Source: Center for Neighborhood Technology. **www.cnt.org**

- ***Insurance***—this estimate is based on the driver having a clean record and using the car for personal use only.
- ***State fees.***
- ***Fuel***—This estimate is based on the U.S. Environmental Protection Agency (EPA) mileage estimate and the current costs of gasoline.
- ***Depreciation.***

On the ***Kelley Blue Book*** website (**www.kbbcom/new-cars/total-cost-of-ownership**), you can compare the total cost of ownership for up to five cars at a time.

This site only supports current and recent-year models, but it can provide a good sense of what owning one kind of vehicle versus another may actually cost. For example, some cars get good mileage. This would bring the total cost of ownership down. Some cars may hold their value well, so they depreciate more slowly than other cars. Slower depreciation would bring the total cost of ownership down. And some cars are known for needing few repairs. This would also bring the total cost of ownership down.

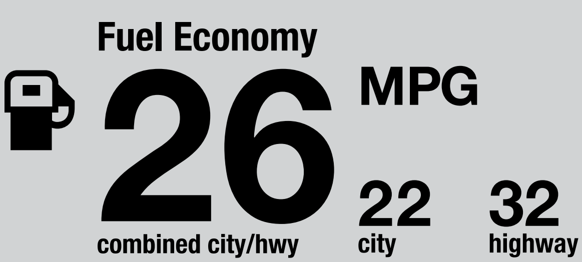
Mileage

KEY CONCEPT

When it comes to saving money, the higher the estimated gas mileage the better. So a vehicle that gets 32 miles per gallon or MPG will use less fuel on average than a vehicle that gets 24 MPG. Usually, there will be three numbers:

- City MPG
- Highway MPG
- Combined MPG

It will look like this:



The combined MPG lets you compare one vehicle to another (it's like the APR for vehicle mileage).

There are many things that will impact the MPG you actually get with a vehicle based on the way you drive. Quick acceleration and braking, driving over the speed limit, and idling all decrease the MPG you will get in a vehicle. So will not maintaining your car (not getting your oil changed regularly or keeping your tires properly inflated), driving in cold weather, making lots of short trips, and using the electrical system too much (running the A/C on max).

There is a great site for information on MPG maintained by the Environmental Protection Agency (the EPA). Visit **www.fueleconomy.gov** to learn more about this topic before you buy a vehicle and to learn how to drive more efficiently. You can search MPG going back to cars built in 1985.

Finally, remember that having a high MPG vehicle not only saves you on fuel costs, but also helps save the environment!

The main point is whether you buy a new or used vehicle, consider more than the purchase price when considering the cost of the vehicle.

- ***Look at mileage***—While an SUV may be fun to drive, it's not very fun to fill up at the gas pump because the mileage is so poor.
- ***Consider a vehicles repair record***—Some cars may look great, but they may be known for needing a lot of repairs. You can find this out on the using the pricing services (Kelley Blue Book, Edmunds, NADA and Black Book) or you can use Consumer Reports.
- ***Consider insurance costs***—Fun to drive, flashy cars are often much more expensive to insure than practical cars. You will also pay more for insurance if you are under 25, a male, or have a record of accidents and traffic violations, including speeding.

What Can I Afford?

Another tool to help you find out what is affordable is the "affordability calculator" on **www.cars.com**. With this calculator, you input these numbers:

1. The monthly payment you'd like to have.
2. The down payment you think you can afford.
3. Whether you have a trade-in and the value of your trade-in. (You can get this estimate by looking at Kelley Blue Book, Edmunds, NADA guides or Black Book.)
4. The sales tax in your area.
5. The interest rate you think you will qualify for.
6. The number of months you want to pay back the loan. (Most car loans are between 36 months—3 years and 60 months—5 years)

With this information, the calculator will determine the vehicle price you can afford.

This site also has other helpful calculators including one to help you to determine whether to finance a car or lease a car. It also has a calculator to help you determine whether to take cash back on a vehicle (a rebate) or 0% financing (these deals are more common with new cars).

Is 0% Financing Real?

KEY CONCEPT

Have you seen cars advertised with 0% financing? This means you can make a loan payment, but there is no interest charged. These are real and are used to attract buyers to car lots. There are a few things to watch out for:

1. Often this deal only applies to what the dealer has in stock on the lot. So you have to go with what is there.
2. Usually the loans are shorter term. Shorter-term loans mean higher monthly payments than longer-term loans.
3. Sometimes dealers will offer cash back for conventional financing or 0% financing. Use a calculator to determine which deal is the better deal.

Barriers to Getting a Car

By now you have probably learned more about the financial aspects of car ownership than you thought existed. But you may also be thinking: ***"There is no way I can do this!"*** In this next section you will explore the common barriers to getting a safe, reliable and affordable car and ways to overcome some of these obstacles.

What do you think are the most common barriers that prevent young people in foster care from getting a car?

As you learned in the core modules, thinking about what can get in your way before it happens and identifying specific ways to deal with barriers or obstacles in advance can prevent you from getting derailed on your way to your goals. This is called contingency planning. Contingency planning applies to getting a car, too.

Keys to Your Financial Future Step 6.6: Obstacles to Getting and Keeping a Car

Use the list of potential barriers, to help you identify the top five obstacles you think you will encounter as you try to get and keep a car. If you do not need a car, think about the top five obstacles you will encounter using the transportation mode you have identified for yourself.

Then identify strategies for overcoming these obstacles.

Obstacle	Strategy to Overcome Obstacle	Resources Needed to Implement Strategy	People that Can Help

Getting and Keeping Your Driver's License

You need a driver's license to drive a car. Unfortunately, getting a license is not always an easy process for young people in foster care. To make matters more challenging, each state has its own rules for young people in foster care getting a driver's license. Many states offer programs to help young people in foster care get their driver's licenses before they leave foster care. Check with your Opportunity Passport™ site staff, your case worker, or your foster parent or guardian to get information specific to your state. The rest of this section will cover general information about getting a license.

What is a Driver's License?[7]

Merriam-Webster's online dictionary defines a driver's license as a "license issued under governmental authority that permits the holder to operate a motor vehicle." It's a state-issued legal document that permits you to drive. Driving without a driver's license is illegal.

A driver's license also provides a valid form of identification. Driver's licenses are used to verify your identification when you want to do things like these, and more:

- Use a credit card.
- Check into a hotel.
- Travel by airplane.
- Order a credit report via mail.
- Vote.

So while having a driver's license is crucial if you want to drive, a driver's license is also used as a primary source of identification in many, many situations.

Some states advocate young people getting their driver's license before exiting foster care even if they do not intend to drive because it is so widely accepted as a valid proof of identification. It is a key document and one you should ideally have before leaving foster care.

Challenges in Getting a Driver's License in Foster Care

KEY CONCEPT

When you apply for a learner's permit, you must have your application signed by an adult. This person is taking legal responsibility for your actions by signing this application.

Usually a young persons' parents or guardian sign the application. But for young people in foster care, the process is more complicated because of the issue of responsibility. If, for example, you get into an accident while learning, the person who signed your application will be responsible for paying for damages.

Young people in foster care must explore asking a grandparent, a brother or sister over 18 years old, aunt or uncle, the foster parent you are living with, or a social worker or probation officer (if you have your own insurance) to sign.

Social workers or probation officers cannot be held financially liable—this is the reason you have to have insurance in order for one of these individuals to sign.

In most states, the State Department of Motor Vehicles is responsible for issuing driver's licenses. Once you have a driver's license, you don't necessarily have it for life. Driver's licenses expire and you must renew them. The time varies from state to state.

[7] Sources used for this section: State of Oregon, Services to Children Manual Section 33: *Obtaining a Driver's Permit and a Driver's License for Youth in Care Under Age 18* and **www.fosteryouthhelp.ca.gove/drivers.html**

Steps to Getting a Driver's License

In order to get a license before you are 18, you will need to get a learner's permit. This gives you permission to learn how to drive. You must be at least 15 years old and you must bring the following to the Department of Motor Vehicles to get a learner's permit:

1. Proof of legal residence in the United States.
2. Proof of legal name—generally, your birth certificate provides this proof.
3. Proof of your Social Security Number.
4. A completed application signed by a grandparent, a brother or sister over 18 years old, aunt or uncle, the foster parent you are living with, or a social worker or probation officer (if you have your own insurance).

Once you have your learner's permit, you can take driver's education. In some states, public schools are required by law to offer driver's education during regular school hours (not before or after school). If you are in school, this could be the easiest and most affordable way to get driver's education, because it is free. If you are not in school, check to see if your state offers programs to help young people in foster care pay for driver's education. Often these programs are targeted for young people who are not yet 18 years old.

Going from Learner's Permit to License

Once you have your permit and have taken driver's education, you may have to take these steps:

1. Practice driving with someone who is older. (Check your state laws to find out if they must be over 25 years old.)
2. Get car insurance.
3. Go to DMV and take the written and behind-the-wheel driving tests.

Once you do start driving, you are responsible for all costs associated with driving. If you get a ticket, you have to pay it or go to court. If you do not pay your ticket or go to court, the judge will issue a bench warrant for "Failure to Appear." You can be arrested for this. By not taking care of small problem, you will end up with a big problem.

So getting a driver's license is a big responsibility. Be sure you are ready for it. But once you have it, you will be able to drive. You will also have a widely accepted, valid form of identification that may provide access to new products, services, and opportunities.

Automobile Insurance Under 18?

KEY CONCEPT

You cannot get automobile insurance on your own until you are 18 years old.

Many young people are added to a parent or guardian's insurance policy until they are legally able to take out their own insurance.

As a young person in foster care, you may not be able to find older adults to put you on their policy. If this is the case, you may not be able to learn to drive until you are 18 years old.

Protecting Your Asset—The Role of Automobile Insurance

For young people, auto insurance can make car ownership ***really*** expensive. This is because young people are charged more for insurance coverage. You may be wondering why. This is because young people ***as a group*** are considered more likely to drive recklessly and be involved in accidents. This costs insurance companies more money, so they pass those costs on—to you!

What is insurance? It is a financial product that protects you from financial loss. Automobile insurance is designed to pay for losses if you harm other people with your car or damage property with your car. You can also get automobile insurance that protects you and your car. Automobile insurance doesn't just cover cars; it covers people and other property that may be harmed by the operation of an automobile.

Understanding Coverage[8]

Most states require automobile owners to carry liability insurance at a minimum. Liability coverage is for damage you do to other people or property while driving your car.

Liability coverage is expressed as three numbers—\$100/\$300/\$50. The first number is bodily injury coverage per person. The second number is the bodily injury coverage per accident. And the third number is property damage coverage per accident. Using the example of \$100/\$300/\$50 coverage, this policy provides up to \$100,000 worth of coverage for each person involved in an accident and up to \$300,000 of bodily injury coverage per accident with \$50,000 worth of property damage coverage. The higher the limits, the more expensive the policy is likely to be. Again, many states will require minimum coverage for each of these categories.

Once you have basic coverage, you may want to explore additional types of coverage like these:

- ***Collision coverage***—This coverage pays for repairs to your own vehicle.
- ***Comprehensive coverage***—This coverage pays for damage to your car caused by something other than an accident. This could be storm damage, theft, collision with animals, and other things that can damage your car but are not accidents.
- ***Medical payments coverage***—This coverage pays for medical expenses you or others experience after an accident, no matter who causes the accident.
- ***Personal Injury Protection (PIP)***—This coverage pays for medical bills, lost wages, and funeral expenses for you and your passengers. This coverage is required in 16 states including: Arkansas, Delaware, Florida, Hawaii, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Dakota, Oregon, Pennsylvania and Utah.
- ***Uninsured Motorist Coverage***—This coverage pays for your medical bills if you are hit and injured by an uninsured motorist or you are the victim of a hit-and-run accident.

How Much Will Insurance Cost?

KEY CONCEPT

There are no easy answers to this question. Your rate will be based on:

- Your age.
- Where you live.
- Your credit scores.
- Your driving record (if you have one).
- Discounts that may apply (good grade discount or good driver discount).
- The kind of car you drive—some cars are more expensive to insure than others.

Before choosing insurance, compare quotes and coverage from at least three different insurance providers.

[8]Source: Car Insurance Basics on Insure.com. Accessed May 2012.

The Most Expensive Cars to Insure

What makes a car expensive to insure? It could be that replacing the car would be expensive, if the car itself is expensive. It could be that the car is commonly stolen. Or it could be that the people who tend to drive a specific model car are statistically the riskiest drivers—males under the age of 25.

Here is a list of the top ten most expensive cars to insure according to the Highway Loss Data Institute:

1. Mitsubishi Lancer (favored by young men).
2. Cadillac Escalade (favored by car thieves).
3. Scion tC.
4. Mercedes CLS Class.
5. Chevrolet Cobalt.
6. Mercedes S Class.
7. Dodge Charger.
8. Honda Civic.
9. Kia Spectra.
10. Mitsubishi Eclipse.

Source: Auto Insurance – *Which Cars are Cheapest to Insure? Selecting the right vehicle can save you money on auto insurance* on Leaseguide.com. Accessed May 2012.

Where Do You Find Out about Auto Insurance

When it comes to auto insurance, there are no easy answers. You will need to do your research and shop around.

You can go to an independent insurance agent to get a quote. With an independent agent, you can ask questions about the quotes provided. They should also be able to provide you with information about state minimum coverage requirements. In addition, they will be able to tell you about discounts that are available to you. Some insurance providers offer good grade discounts, for example. You can also get discounts for being a “safe driver”—having no accidents for a certain period of time. Be sure to get quotes from more than one independent agent so you can compare quotes.

You can check with the attorney general in your state or the state insurance commission to find out if there are complaints against any insurance companies you may be considering doing business with. You can also shop online. There are some sites that offer comparison quotes.

Before you buy a vehicle, get an insurance quote for it. Believe it or not, the kind of car you buy can also affect the amount you will pay for insurance.

Vehicle Registration

In addition to insurance, you will need to stay on top of vehicle registration and licensing requirements. These are often annual expenses, but vary from state to state. Not having your vehicle properly registered or licensed can cost you a lot!

If you are caught with an expired registration, you will likely have to pay fines. In some states, they may even confiscate your vehicle. Then you will have to pay fees and fines, as well as bring your registration current, to get your vehicle out of impound. Be sure to keep your address on record updated with the DMV so your vehicle registration can be mailed to you each year for renewal.

MODULE 6:

Transportation: Enjoy the ride

Congratulations on finishing the sixth module of *Keys to Your Financial Future*.

You have learned about transportation as a productive asset. ***Safe***, ***reliable*** and ***affordable*** transportation connects you to school, your job, volunteer opportunities, communities of faith, and your friends and family. ***Safe***, ***reliable*** and ***affordable*** transportation helps you build assets and social capital.

Having finished this module, you know which modes of transportation are right for you. If you are lucky enough to live in a community with a great public transportation infrastructure, you may not need to think about buying and maintaining a car. But, if you live in communities like most Americans, you may need a car. You learned about the true costs of owning and operating a vehicle, financing a car, where to find information about cars and automobile insurance.

> *"Telling the future by looking at the past assumes that conditions remain constant. This is like driving a car by looking in the rearview mirror."*
>
> **— ANONYMOUS**

To continue the development of your financial plan, you completed the following *Keys to Your Financial Future* Steps in this section:

- ☑ ***Keys to Your Financial Future Step 6.1: Transportation Needs Assessment***
- ☑ ***Keys to Your Financial Future Step 6.2: Maximum Transportation Expenditures***
- ☑ ***Keys to Your Financial Future Step 6.3: Transportation Budget***
- ☑ ***Keys to Your Financial Future Step 6.4: Opportunity Passport™ Matched Savings for a Vehicle***
- ☑ ***Keys to Your Financial Future Step 6.5: Budget for a Car***
- ☑ ***Keys to Your Financial Future Step 6.6: Obstacles to Getting and Keeping a Car***

Use this time to go back and review the work you have done. Get inspired to use your money to make the life you want to for yourself, the people you love, and for your community.