

Topic 1: Car ownership

Moneysmart Rookie - Educator Guide



Financial literacy for young people



Australian Government



moneysmart
.gov.au

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Introduction to 'car ownership'

Moneysmart's Rookie series helps people aged 16-25 avoid expensive mistakes or 'rookie errors' when they make their first financial decisions.

This topic is about the costs associated with **car ownership**. It will help young people:

- understand the costs associated with buying a car
- understand the nature of a car loan
- understand car insurance
- know what to do if they fall behind on car loan repayments.

Overview

- **Year level:** 9-12
- **Duration:** 5 hours (Educator guide - approx. 3 hours + Additional lessons - 2 hours)
- **Learning areas:** Economics and Business, Mathematics, English
- **Audience:** Youth and community workers, student advisers, mentors.

Topics

The Moneysmart Rookie education initiative covers six topics:

1. **Car ownership**
2. Credit and debt
3. Mobile phone ownership
4. Moving out of home
5. Online financial transactions
6. First job.

Rookie resources

This Educator Guide for **Topic 1: Car Ownership** will be used in combination with the following digital resources which have been designed to suit the various levels of knowledge and understanding of students.

Video: In the driver's seat (6:13 mins) Video: The cost of car insurance (1:24 mins) Optional video: Buying your first car (0:24 sec)	Digiactivity: Digital Convo – Car ownership Students have a conversation with a friend about buying their first car.
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Optional resources

- [Rookie: Car ownership](#) – Teaching resource page which includes the curriculum alignment and learning outcomes.
- [Buying a car](#) starter pack on Moneysmart
- [Student life and money](#) section on Moneysmart
- [Teaching resources](#) (filter by year) on Moneysmart
- [Moneysmart Cars](#) app on Moneysmart

Knowledge levels

What content will suit your students? The level of information you use will depend on how much understanding your students have of a topic. The following describes the content that best suits different levels of understanding (1, 2, and 3):

Your audience has this level of knowledge	Description
Level 1: No or a limited understanding	<p>If your students cannot answer any of your questions or can only answer them a bit, they have no or a limited understanding.</p> <p>You can help them to understand more by showing the <i>Moneysmart Rookie</i> videos for the topic. You can also go through the Level 1 activities in the guide.</p> <p>After watching the video, see if your students have developed some understanding of the topic by asking them to answer the questions again.</p>
Level 2: Some level of understanding	<p>If your students answer one or more of your questions, they have some level of understanding.</p> <p>You can show them the <i>Moneysmart Rookie</i> videos to review the topic.</p> <p>You may wish to pause the video in sections and discuss key issues shown.</p> <p>You can also go through the Level 2 activities and stories in the guide, as these are for students with some level of understanding.</p>
Level 3: Good level of understanding	<p>If your students are able to answer all of your questions, they have a good level of understanding.</p> <p>You can show them the <i>Moneysmart Rookie</i> videos to review the topic.</p> <p>You can also go through the Level 2 and 3 activities in the guide, as these are for students with a good level of understanding.</p>

Note: Educators can use these levels as progressions, starting points and extensions to suit students' needs.

Reflection questions

At the end of each section, can use the following questions to reflect on the effectiveness of the session:

- What worked well? What did not work well?
- Did the students understand the key messages?
- Did the activity engage the students? How could the activity have been more effective?
- What questions unexpectedly emerged and how did you handle them?
- What might you do differently next time?

Knowledge level check

The following questions will help you check students' existing level of knowledge about owning a car:

- What are some of the costs involved with owning a car?
- What do you need to consider when deciding on the car that's right for you?
- What kind of expenses do you have to consider when working out the cost of having a car?
- What do you need to consider when applying for a car loan?
- What types of car insurance cover are there and what do they cover?

Sub-topic: The cost of buying a car

Key messages

- There are a number of costs involved with buying a car
- There are one-off and ongoing costs associated with buying a car
- Buy a car you can afford to run and maintain.

Notes for the educator

Buying a car may be the first big purchase a young person makes.

Owning a car brings freedom, but it also comes with responsibilities. The costs involved with buying a car are more than just the purchase price.

A young person needs to know how much they can afford to pay:

For one-off expenses, such as:

- purchase price
- stamp duty
- transfer of registration fee (where applicable)

For annual and ongoing expenses, including:

- registration
- compulsory car insurance
- optional car insurance
- loan repayments (if applicable)
- fuel
- parking
- car maintenance
- car servicing (for periods not covered by warranty if applicable).

A good start is to make a simple budget. This will help to calculate where money is currently going, and how much is left over to spend on a car.

To do this, young people can:

- complete Moneysmart's [budget planner](#) online
- complete an excel version.

It is estimated that running and maintaining a car can cost around \$7,000 per year. Setting aside money each month can help young people to budget for these ongoing and annual expenses.

Activity 1.1: Hidden costs

Level	Duration	Resources needed
1	15 mins	Worksheet 1.1

This activity requires the students to recognise that there are a number of costs involved with buying a car, beyond the purchase price.

Description

Ask the students to answer the following questions and complete the activity sheet:

1. Apart from the purchase price, what are examples of additional costs you would need to pay if you bought this car?
Which of these costs are one-off?
2. Which are ongoing expenses that you could budget for?

Suggested answers

1. One-off cost examples:
 - Purchase price
 - Stamp duty
 - Transfer of registration fee (if you buy a second-hand car that is currently registered)
2. Annual and ongoing expense examples:
 - Registration
 - Compulsory car insurance (Third-party)
 - Optional car insurance
 - Loan repayments if money borrowed
 - Fuel (note that it is important to keep an eye on changing fuel prices)
 - Parking
 - Car maintenance and servicing (for periods not covered by warranty if applicable).

Activity 1.2: Buying a car – asking the right questions

Level	Duration	Resources needed
1	10-20 mins	Digiactivity: Digital Convo – Car ownership Students have a conversation with a friend about buying their first car.

This is an online activity. Students:

- interact with an older friend in a text and audio simulated conversation
- receive feedback on their choices, such as the questions they choose to ask
- can go back to change their actions.

The conversational tool supports the student to develop confidence in asking the right questions with someone who has more experience than them. It also highlights the importance of asking questions to find out whether a potential purchase or contract meets their needs.

This activity is aimed at Level 1, but can be undertaken by all levels and should take approximately 10 to 20 minutes.

Activity 1.3: Ryan's choice

Level	Duration	Resources needed
2	15 mins	Worksheet 1.3

This activity uses **Ryan's story** as an example for the students to think about how much they can afford to spend on buying a car. It includes consideration of one-off and ongoing expenses.

Activity 1.4 is the same as this activity but has two more questions (both of them Level 3). You can decide whether Activity 1.3 or Activity 1.4 is better for your students.

Description

Ask the students the following question:

Apart from expected running and maintenance expenses, what additional costs will Ryan need to pay if he chooses Option 1 or Option 2?

Suggested answers

	Option 1	Option 2
1. Upfront costs	<ul style="list-style-type: none"> Registration – now Engine reconditioning – next 12 months 	<ul style="list-style-type: none"> Will need to borrow \$8,500 Ongoing loan repayment & interest costs Transfer of registration cost (minimal)

Activity 1.4: Advice for Ryan

Level	Duration	Resources needed
3	15 mins	Worksheet 1.3 and / or 1.4

This activity uses **Ryan's story** as an example for students to think about how much they can afford to spend on buying a car. It requires them to weigh up options and offer advice to Ryan about his decision.

Activity 1.3 is the same as this activity but has only the first question (which is Level 2). You can decide whether Activity 1.3 or Activity 1.4 is better for your students.

Description

Ask the students the following questions:

1. Apart from expected running and maintenance expenses, what additional costs will Ryan need to pay if he chooses Option 1 or Option 2?
2. What are the benefits of choosing each Option?
3. What advice would you give to Ryan about making a decision to buy either of these cars?

Suggested answers

	Option 1	Option 2
1. Upfront Costs	<ul style="list-style-type: none"> • Registration – now • Engine reconditioning – next 12 months 	<ul style="list-style-type: none"> • Will need to borrow \$8,500 • Ongoing loan repayment & interest costs • Transfer of registration cost (minimal)
2. Benefits	<ul style="list-style-type: none"> • Can pay cash • No ongoing loan repayment & interest costs 	<ul style="list-style-type: none"> • 18-month warranty for service & repairs • 10 months of registration already paid • Newer car; hopefully less ongoing maintenance and service costs
3. Advice	<ol style="list-style-type: none"> 1. Compare true annual cost of buying each car, by: <ul style="list-style-type: none"> • Getting quotes for the engine reconditioning to calculate likely cost and research registration cost for Option 1 • Researching loan options (e.g. interest rates, repayment periods, termination fees and other charges) for Option 2 • Researching potential insurance costs for each car 2. Check true annual costs calculated with budget of \$615/month for affordability 	

Check for understanding

After completing the activities, you can check the students' level of understanding and knowledge by asking questions such as:

- What kinds of one-off costs are there when buying a car?
A: Purchase price, stamp duty, transfer of registration fee.
- What kinds of ongoing costs are there when buying a car?
A: Insurance, car service and maintenance, registration, fuel, parking, loan repayments.
- How can you ensure that you buy a car you can afford to run and maintain?
A: Do a budget and determine how much you can afford to pay for a car. Calculate a savings plan for each month to cover ongoing and annual expenses.

Sub-topic: Car loans**Key messages**

- A car loan is a legal agreement
- Do not sign anything you do not understand
- Shop around to find the best deal for you
- You cannot cancel some contracts because you change your mind
- Get help to understand the contract.

Notes for the educator

If young people do not have the cash to pay for a car up front, they can either save money and delay the purchase or borrow money.

If they apply for a loan, they will need to give the credit provider information about their income and expenses. The credit provider will also do a credit check for any previous credit history and/or other debts to be paid.

A car loan is a personal loan for the specific purpose of buying a new or used car. The amount borrowed must be repaid to the credit provider within a period of time (the term) – usually between 12 months and 5 years. A car loan is a legal agreement, and borrowers have to sign a credit contract. This specifies the amount borrowed, the interest rate, fees and charges and how repayments will work.

The interest charged may be at a fixed rate (where the interest rate is locked for the loan term), or a variable rate (where the rate may go up or down over the loan term). While a fixed rate loan offers the benefit of set repayments, making extra payments to pay out the loan early may result in an early termination fee.

Shopping around to get the best car loan deal is as important as getting the best price on a car. Car dealerships, for example, will often offer their own loans when buying a car. Comparing loans is critical: before signing up, it's important to shop around and compare deals to make sure you get the best loan for you.

It is important for young people to make sure they read the credit contract carefully before signing it. A good idea could be to take it home and read over it first – if they don't understand the contract they should seek help to understand the many contract terms and conditions (see following page). Many contracts cannot simply be cancelled just because a young person might change their mind after signing it. In this case, the young person may still be required to meet the repayment terms specified in the contract.

Activity 1.5: Helpful car loan terminology

Level	Duration	Resources needed
2	20 mins	Worksheet 1.5

This activity refers to the list of common car loan terminology (below). It will help students understand what to look for in car loans and key elements included in contracts.

Description

1. Provide worksheet to students – individuals or pairs.
2. Ask students to match the terms with correct definitions.
3. Verify correct answers.

Next step

Ask the students the following questions:

1. What words or terminology were new to you?
2. Which words or terminology will be useful to compare and understand in different car loan options?
3. Who could you ask for help to understand a car loan contract before signing it?

Note: Responses above are expected to be individual for each student – there are no expected or suggested responses.

Helpful car loan terminology

Term	Definition
Credit provider	A financial institution that you enter into a credit contract with – for example, the organisation that provides your car loan.
Dealer finance	If you buy from a car yard, the dealer might offer to arrange finance for you. This may seem more convenient, but it is usually cheaper to get a loan elsewhere – e.g. Banks, Building Societies, Credit Unions. Shop around to find the best deal for you.
Default	When your loan repayment is late, or you do not pay.
Early termination fee	A fee which may be applied if a loan is repaid earlier than the stated term.
Fees and charges	The costs a credit provider charges you to use their services.
Fixed rate	Interest is paid at a fixed rate over the term of a loan or investment.
Guarantor	A person who guarantees a loan for someone else. The guarantor is legally responsible for paying the debt if the borrower stops paying.
Insurance policy	A written legal agreement that sets out what is being insured and for how much.
Insurance premium	Money charged by an insurance company for coverage.
Interest	Payment for the use of money over time. If you borrow money, interest is the amount you pay to borrow the money. The rate of interest can be fixed or variable. It is usually calculated as a percentage of the amount lent or borrowed. For example on a \$10,000 car loan that has an interest rate of 10%, you would pay \$1000 interest in the first year.
Interest rate	The relationship between the amount of money borrowed and the money paid in return for the use of that money. It is usually expressed as a percentage per year ('annual rate') – for example, 10% per year.
Repayments	To be made for a loan within an agreed amount of time; usually between 12 months to 5 years. If your loan has a fixed rate, your repayments will be the same each month.
Secured loan	A loan that is backed by an asset. The credit provider may sell the secured asset to get its money back if you cannot repay the loan.
Unsecured loan	A loan for which no asset has been used as security. The interest rate is usually higher than for a secured loan as there is a higher risk to the lender of not getting their money back.

Activity 1.6: Cathy gets a car loan

Level	Duration	Resources needed
3	20 mins	Worksheet 1.6

This activity uses **Cathy's story** as an example for students to think about:

- Comparing car loan options
- Understanding car loan contracts, and
- Applying for a car loan.

Description

Ask the students the following questions:

1. What are examples of questions Cathy should ask the finance person about the car loan contract?
2. What types of information will the finance person require from Cathy if she wants to apply for a loan with the car yard?
3. What advice would you give to Cathy about deciding to sign the loan contract?

Suggested answers

- 1
 - What is the total amount of the loan?
 - What is the interest rate on the loan?
 - How often do the repayments need to be made?
 - How long is the credit contract?
 - Are there any fees for paying out the loan early?
- 2
 - Income and expenses
 - Current money owed (debts)
 - Previous credit history
- 3
 - Cathy should shop around to see if there are car loans that offer lower interest rates, have less fees and charges, different repayment options and lower insurance costs or different insurance cover.
 - Cathy should request to take the contract home and seek help to understand the contract terms and conditions before signing it.
 - Cathy should carefully think about whether she can afford to make the repayments, particularly if she loses her job or if the car needs unexpected repairs.

Check for understanding

After completing the activities, you can check the students' level of understanding and knowledge by asking questions such as:

- What is a car loan contract?
A: A legal agreement outlining money borrowed to purchase a car
- It is important to shop around for car loan options. What are examples of car loan terminology or words to compare?
A: Interest rate, fees and charges, loan term, fixed or variable rate, repayment arrangements
- What should you do if you do not understand parts of the contract?
A: Ask the credit provider to explain the words and their responsibilities as the borrower, or seek help or advice from a friend, relative or co-worker. Do not sign a contract you don't understand.

Sub-topic: Car insurance

Key messages

- Car insurance covers different things
- Some car insurance is compulsory
- Look for the right insurance cover for you
- A car insurance claim may still cost you money
- Get help to understand car insurance.

Notes for the educator

Car insurance can cover the cost of your car if you damage it, it is stolen, or if anyone is injured.

If there is an accident involving your car, you could have to pay for the costs resulting from injuries to yourself/others, damage to your car/other vehicles and damage to any property you hit.

There are many different types of insurance available when you buy a car. These are called insurance policies. Some basic car insurance is compulsory when you register your car (Compulsory Third-party (CTP) Insurance). Be aware that:

- each state and territory has its own scheme
- all provide basic cover for injuries to other people
- it does not cover repairs to your car.

Extra car insurance is 'optional' but can save young people money in the long term. It includes:

Third-party property	Covers damage caused by your car to other people's property, as well as your own legal costs. Does not cover cost of repairs to your own car or replacement of your car if it is stolen.
Third-party property, fire and theft	Covers damage caused by your car to other people's property, and limited cover for loss or damage caused to your car due to theft or fire. Does not cover cost of repairs to your own car or if it is damaged in an accident.
Comprehensive	Gives you the most cover but is also the most expensive type. Covers damage to your car and damage to other people's property if your car is in an accident, including fire. Also covers theft.

Some contracts state that the person to take out comprehensive car insurance if the car is used as security for a loan.

The annual fee is called a premium – this cost depends on many factors, including:

- Owner's age and gender – statistics show that a higher number of claims are made by young males
- Make and model of vehicle
- Whether the vehicle is owned or financed
- Where the car is kept overnight
- Owner's address
- Whether any modifications have been made to the car.

You can claim money from your insurance company if something goes wrong. How much money you can claim from your insurance company depends on what is in your insurance policy. A car insurance claim may

still cost money if there is an excess to pay included in the cover. An excess is how much you must pay with a claim. The amount is specified in the insurance policy. Most insurers will allow people to increase the excess to reduce the premium. It is an effective way to reduce car insurance costs – but it also means that when a young person makes a claim, they will have to pay more towards it.

Young people should seek help to understand the types of insurance cover available to determine which cover is right for them.

Activity 1.7: Myth busting

Level	Duration	Resources needed
2	20 mins	Worksheet 1.7

This activity enables students to apply basic knowledge about car insurance and the differences between types of cover. A summary table 'Who and what is covered?' is provided on the following page for the educator to clarify the options by showing different types of cover.

Description

- Ask students to review the statements and write either 'True' or 'False' in the answer column of the worksheet.
- Ask the students to explain why they chose either 'True' or 'False' and debrief by referring to the 'Suggested answers' table on the following page.

Suggested answers

#	Statement	Answer & explanation
1.	Comprehensive car insurance means you never have to pay any money if you get into an accident.	Myth Most policies have an excess you need to pay for making a claim. The amount of excess you pay depends on your policy.
2.	If you have compulsory third-party car insurance and you have an accident that was your fault, the insurer will only cover costs for repairs to the other person's car.	True Compulsory third-party insurance generally does not cover you for the costs of repairing or replacing your car if you are in an accident and it was your fault. These kinds of policies will not even cover you if the accident was someone else's fault – you will have to claim your costs from that other person or their insurer if they have one.
3.	Third-party property car insurance covers you for fire or theft of your car.	Myth Third-party property insurance is one of the most basic kinds of insurance and usually only covers you if an accident is your fault and you have to pay for repairs or replacement of the other driver's car.
4.	Everyone has to pay some kind of car insurance for their car if they use it on a public road.	True Car owners in every state and territory in Australia have to pay Compulsory Third-party Insurance (CTP insurance) of some kind, usually when they renew their registration. CTP insurance covers costs you may have to pay if you injure somebody else in an accident.

5.	You don't have to tell your insurer if you make modifications to your car.	Myth Most insurance policies say you have to tell your insurer if you make modifications to your car – otherwise they might refuse to cover you if you make a claim later on.
6.	Insurance costs the same for everyone – it doesn't matter how old you are or what kind of car you drive.	Myth The amount you have to pay for your insurance can change, depending on your age, your driving record, the make and model of your car, where you live and a number of other factors.

Activity 1.8: Who and what is covered?

Level	Duration	Resources needed
3	10 mins	Worksheet 1.8

This activity helps to reinforce learning about car insurance.

Description

Ask the students to complete the table by placing a *tick* or *cross* below each type of cover for each category of insurance.

Answers

Who and what is covered?

Insurance Type	Costs arising from damage to your car	Costs arising from damage to other people's property (e.g. other cars)	Costs arising from damage or loss caused by theft of your car	Costs arising from injuries or death to other people in an accident
Compulsory third-party	✗	✗	✗	✓
Third-party property	✗	✓	✗	✗
Third-party property, fire and theft	✗	✓	✓	✗
Comprehensive	✓	✓	✓	✗

Activity 1.9: Bridget's sister has an accident

Level	Duration	Resources needed
3	15 mins	<ul style="list-style-type: none"> Worksheet 1.9

This activity shows a common scenario where comprehensive car insurance is a useful thing to have if you can afford it. It will help students to consider the importance of selecting the right car insurance for them, and to understand the cover provided by different types of car insurance.

Description

Using **Bridget's story**, ask students the following questions:

1. With the insurance cover Bridget's sister chose, what is she covered for?
2. What insurance issues is Bridget's sister now facing?
3. Bridget's sister used all of her savings to buy the car. What else could she have done to avoid having to pay for her own car to be repaired, which she now can't afford to do?

Suggested answers

1. Third-party, fire and theft.
2. Her compulsory and optional insurance does not cover her own car being repaired. The driver that crashed into the back of Bridget's sister only had Compulsory Third-party Insurance. Bridget's sister does not have any savings left to pay for the repairs to her car.
3. She could have bought Comprehensive Car Insurance instead of either or both of the new stereo or custom seat covers. Even though Bridget's sister is a careful driver, her car was still damaged by someone else being careless.

Check for understanding

After completing the activities, you can check the students' level of understanding and knowledge by asking questions such as:

- What does compulsory car insurance cover you for?
A: Compulsory Third-party Insurance covers injuries or death to other people in an accident.
- Even if you have Comprehensive Insurance, what cost do you need to be aware of if you need to make a claim?
A: The excess – detailed in your insurance policy.
- Where can you get help to understand car insurance?
A: Ask the salesperson to explain inclusions and exclusions, ask a friend or relative, search the Moneysmart website for 'Buying a car'.

Sub-topic: Problems paying your car loan

Key messages

- You may have legal problems if you cannot pay the car loan
- It may affect your credit rating if you have problems paying back your car loan
- Talk to someone who can help.

Notes for the educator

When a young person signs a car loan contract to borrow money from a credit provider, they have a debt that must be repaid.

The debt will include extra costs such as interest.

If repayments are not made as per the terms and conditions specified in the loan contract, the young person will default on their payments.

This can impact a young person's credit rating, which is an assessment as to whether they are a credit-risk, based on their borrowing and repayment history.

It will also affect a young person's credit history – this is a record, called a credit report, of every time they apply for credit or default on a payment. It includes credit information collected from credit providers by credit reporting agencies for the past 5 to 7 years.

In addition, the young person may have legal problems. Not only could they end up owing more money, due to late payment penalty fees and increasing interest, but the credit provider may also repossess (take) the car. If the credit provider sells the car for less than the amount of money the young person owes them, the young person will no longer have a car and will still owe the credit provider money to cover the rest of the loan amount.

If a young person has trouble making repayments, they should:

- Act quickly – contact the credit provider to discuss short or long-term repayment arrangements and keep paying whatever they can. Ignoring the problem will make things worse.
- Get help from a free financial counsellor, who will help them manage their debt and repayment options.
- Visit the Moneysmart website for information about support services such as free financial counselling and legal assistance.

Activity 1.10: Identify the rookie errors

Level	Duration	Resources needed
2	20 mins	Video: In the driver's seat (6:13 mins)

In this activity, students review the *Moneysmart Rookie: In the driver's seat* video and discuss the story of a young person who has problems paying their car loan.

Description

Ask the students the following questions:

1. How did buying a car land Peter in financial trouble?
2. Who did Peter go to for help sorting out his financial trouble and how much did that cost?
3. What could have happened to Peter if he didn't seek help?
4. Would Peter still owe the lender money if they took back his car?

5. If the credit provider took Peter to court for not keeping up with his repayments, who else besides a financial counsellor could help?

Suggested answers

1. Peter could not afford to keep up with his car repayments, which were very high because the car he bought was very expensive. He also had to get comprehensive car insurance because his car was financed. This cost him even more money which he could not afford. On top of that, he got a personal loan and maxed out his credit cards so he was struggling to keep up with all the repayments.
2. Peter went to a financial counsellor and the service was free.
3. The credit provider might have repossessed his car and he might have ended up with a bad credit rating, which could cause problems for him in the future if he wants to get another loan.
4. Yes, if the amount they sell it for does not cover the amount of money he owes them.
5. Peter may be able to get free legal advice from a community legal centre about how to prepare for court and how to try and negotiate with the lender to avoid going to court.

Activity 1.11: Arun falls behind on his loan repayments

Level	Duration	Resources needed
3	15 mins	Worksheet 1.11

In this activity, students reflect on **Arun's story** and consider what advice they would give to Arun about how to handle his problems repaying his car loan.

Description

Ask the students the following questions:

1. If you were Arun's friend, what would you caution him about his actions and assumptions?
2. What advice would you give him about what to do next?

Suggested answers

- 1
 - Arun should have told someone sooner about his repayment problems – being embarrassed and continuing to ignore the bank letters will only make things worse, and he may have legal problems if he does not act quickly.
 - His assumption about giving the car back and having no debt is incorrect – even after giving the car up, he may still owe money for the outstanding amount of his loan and additional penalty fees.
 - His credit history and rating will be affected, so next time he applies for a loan, he may have difficulty in securing the finance he needs.
- 2
 - Act quickly – discuss his situation with a free financial counsellor, his family or a relative. (A free financial counsellor would be best.)
 - Immediately contact the bank to see what repayment options he has – he may be able to pay a reduced amount in the short term and make new arrangements if and when he receives the promotion to manager. Consider seeing a free financial counsellor to work out how to best manage his income and expenses on his reduced salary.

Check for understanding

After completing the activities, you can check the students' level of understanding and knowledge by asking questions such as:

- If you do not make repayments as specified in a car loan contract, what can happen?
A: Your car may be repossessed and your credit rating and history may be affected (impacting your future ability to secure finance). Late payment penalties may also be applied, and you may face legal action.
- Where can you go for help?
A: Your credit provider, free financial counsellor, free legal advice, family, friends, relatives.

Worksheets: Car ownership

Worksheet 1.1: Hidden costs

NAME:

Car for sale

2003 Toyota Camry – \$6,700

Well maintained car in excellent condition!

Silver sedan, 4 speed, 6 cylinder Petrol 3.0i, 235,000 km,
11.2L/100km, 4 doors 5 seat, stamp duty costs (approx. \$200).

Questions

- 1 Apart from the purchase price, what are examples of additional costs you would need to pay if you bought this car?

- 2 Which of these costs are one-off?

- 3 Which are ongoing expenses that you could budget for?

Worksheet 1.3: Ryan's choice

NAME: _____

Ryan's story

Ryan has just turned 19. He passed his licence test yesterday and is excited to finally be able to buy his first car! Ryan has saved up \$7,500 to buy a ute he will need for an apprenticeship he is starting next month. He has calculated that, with his apprenticeship wage, he can afford to spend up to \$615 a month on car expenses. He is trying to decide between two options.

Option 1: An unregistered used car that Ryan can afford to buy straight away from a family friend. The family friend told Ryan the car is a 2000 model that runs OK at the moment, but the engine probably needs reconditioning over the next 12 months.

Option 2: A second-hand car that will cost \$16,000, so Ryan will have to get a loan to be able to buy it in time for when he starts work. The car comes with an 18-month warranty for service and repairs and also has 10 months of registration left.

Questions

1. Apart from expected running and maintenance expenses, what additional costs will Ryan need to pay if he chooses Option 1 or Option 2?

Worksheet 1.4: Advice for Ryan

Questions

1. Apart from expected running and maintenance expenses, what additional costs will Ryan need to pay if he chooses Option 1 or Option 2?

2. What are the benefits of choosing each Option?

3. What advice would you give to Ryan about making a decision to buy either of these cars?

Worksheet 1.5: Helpful car loan terminology

NAME:

Match the following terms to their correct definition:

Dealer finance	Fixed rate	Credit provider	Fees and charges	Secured loan	Insurance premium	Interest rate
Insurance policy	Guarantor	Unsecured loan	Repayment	Default	Interest	Early termination fee

Term	Definition
	A financial institution that you enter into a credit contract with – for example, the organisation that provides your car loan.
	If you buy from a car yard, the dealer might offer to arrange finance for you. This may seem more convenient, but it is usually cheaper to get a loan elsewhere – e.g. Banks, Building Societies, Credit Unions. Shop around to find the best deal for you.
	When your loan repayment is late, or you do not pay.
	A fee which may be applied if a loan is repaid earlier than the stated term.
	The costs a credit provider charges you to use their services.
	Interest is paid at a fixed rate over the term of a loan or investment.
	A person who guarantees a loan for someone else. The guarantor is legally responsible for paying the debt if the borrower stops paying.
	A written legal agreement that sets out what is being insured and for how much.
	Money charged by an insurance company for coverage.
	Payment for the use of money over time. If you borrow money, interest is the amount you pay to borrow the money. The rate of interest can be fixed or variable. It is usually calculated as a percentage of the amount lent or borrowed. For example, on a \$10,000 car loan that has an interest rate of 10%, you would pay \$1000 interest in the first year.
	The relationship between the amount of money borrowed and the money paid in return for the use of that money. It is usually expressed as a percentage per year ('annual rate') – for example, 10% per year.
	To be made for a loan within an agreed amount of time; usually between 12 months to 5 years. If your loan has a fixed rate, your repayments will be the same each month.
	A loan that is backed by an asset. The credit provider may sell the secured asset to get its money back if you cannot repay the loan.
	A loan for which no asset has been used as security. The interest rate is usually higher than for a secured loan as there is a higher risk to the lender of not getting their money back.

Worksheet 1.6: Cathy gets a car loan

NAME: _____

Cathy's story

Cathy wants to buy a second-hand car. She wants the cost of registration and insurance (about \$1000) to be included and decides she can spend up to \$5,000. This means the car can cost no more than \$4,000. She does not have any savings and wants to borrow the money.

One Saturday morning, Cathy goes to her local car yard. She sees a car she likes for \$3,800. A sales person asks Cathy if she has any questions about the car. Cathy wants to know if the car has had any accidents or major repairs, what year it was made and if it has a safety rating. After a test drive, Cathy decides she would like to buy the car. The sales person introduces Cathy to the car yard's finance person. Cathy thinks it will be convenient to apply for a loan with the car yard.

Questions

- 1 What are examples of questions Cathy should ask the finance person about the car loan contract?

- 2 What types of information will the finance person require from Cathy if she wants to apply for a loan with the car yard?

- 3 What advice would you give to Cathy about deciding to sign the loan contract?

Worksheet 1.7: Myth busting

NAME: _____

#	Statement	True / False
1.	Comprehensive car insurance means you never have to pay any money if you get into an accident.	
2.	If you have compulsory third-party car insurance and you have an accident that was your fault, the insurer will only cover costs for repairs to the other person's car.	
3.	Third-party property car insurance covers you for fire or theft of your car.	
4.	Everyone has to pay some kind of car insurance for their car if they use it on a public road.	
5.	You don't have to tell your insurer if you make modifications to your car.	
6.	Insurance costs the same for everyone – it doesn't matter how old you are or what kind of car you drive.	

Worksheet 1.8: Who and what is covered?

Place a tick or cross in the table below to indicate what is covered for each type of insurance:

Insurance Type	Costs arising from damage to your car	Costs arising from damage to other people's property (e.g. other cars)	Costs arising from damage or loss caused by theft of your car	Costs arising from injuries or death to other people in an accident
Compulsory third-party				
Third-party property				
Third-party property, fire and theft				
Comprehensive				

Worksheet 1.9: Bridget's sister has an accident

NAME:

Bridget's story

A few months ago, my sister, who is a really careful driver, was excited to purchase a 2010 Holden Barina. The car cost less than it should have as she bought it from a cousin. She used all of the extra, unexpected money she had saved to buy a new stereo and custom seat covers. My sister also decided to purchase Third-party, Fire and Theft Insurance because last year two cars in our street were stolen. On her way home from work one day, a car in front of her braked suddenly at amber lights. My sister managed to stop in time, but the car behind her didn't and crashed into the back of my sister's car.

Even though the car had slowed down, the crash still caused about \$3,500 worth of damage to my sister's car! She can't drive the car until it is fixed.

The driver that crashed into my sister's car only had Compulsory Third-party Insurance.

Questions

- 1 With the insurance cover Bridget's sister chose, what is she covered for?

- 2 What insurance issues is Bridget's sister now facing?

- 3 Bridget's sister used all of her savings to buy the car. What else could she have done to avoid having to pay for her own car to be repaired, which she now can't afford to do?

Worksheet 1.11: Arun falls behind on his loan repayments

NAME: _____

Arun's story

Arun was promoted to Store Manager at the shoe shop he worked at. With his increased salary, he borrowed \$21,000 from a bank to combine with his personal savings to buy a new Honda.

Six months ago, Arun's store was closed and he lost his job. He has started a new job that pays a lot less, but his boss has said that if Arun performs well, he will be considered for a manager role.

For the past three months, Arun has not been able to keep up with his loan repayments. He was embarrassed about losing his job, so didn't tell anyone. Arun thinks he can deal with the warning letters from his bank later when his salary hopefully increases again. He thinks that, at worst, he can always just give the car back, have no debt and start fresh with another car and loan if he has to.

Questions

1 If you were Arun's friend, what would you caution him about his actions and assumptions?

2 What advice would you give him about what to do next?

Additional lesson 1: First car — wheels and deals

- **Year level:** Year 9 and 10
- **Duration:** 60 minutes
- **Key learning area:** English, Mathematics, Economics and Business

Lesson description

Students explore common consumer rookie errors associated with buying a car. Learning begins with watching the Moneysmart Rookie 'In the driver's seat' video. Students then undertake a variety of learning and feedback activities on the main costs and pitfalls of buying a car, including purchase price, registration, insurance, petrol, servicing/repairs and loan repayments.

In the second part of the lesson students complete an activity worksheet to investigate the necessary precautions and knowledge required to avoid making rookie errors when buying a first car. The lesson concludes with the opportunity for students to complete a short reflective task.

Long-term understanding/deep learnings:

- There are a number of costs involved with buying a car.
- Making informed and responsible choices when buying a car can save you money.
- You can save money and avoid 'rookie errors' if you research the essential costs related to buying your first car.

Additional activity 1(a): Moneysmart Rookie 'In the driver's seat'

Level	Duration	Resources needed
N/A	10 mins	Video: In the driver's seat (6:13 mins)

Discussion

Facilitate a class discussion of some of the video's key messages. Ask the class, 'Why do people buy cars?' Write responses on the board - responses should focus around:

- **Self-esteem/status:** Wanting to appear cool or successful to your friends.
- **Practicality:** A great way to get somewhere (e.g. work) without being reliant on public transport.
- **Freedom:** No longer having to ask your parents or older brothers/sisters to take you somewhere. You have the freedom to travel almost anywhere at a moment's notice.
- **Work:** For a lot of tradespeople and farmers, their car (e.g. ute) doubles as a work vehicle.

Students can copy down the reasons and rank them in order of personal importance.

Discuss ranking differences, e.g. Is self-esteem more important than practicality?

Additional activity 1(b): Buying a car

Level	Duration	Resources needed
N/A	20 mins	Worksheet 1(b) – Mind map

Task 1: Buying a car mind map worksheet

In the worksheet provided, students need to write 'CAR' in the centre circle of the worksheet's mind map. In each of the connecting circles students will need to list the six main expenses in owning and running your first car:

1. Price
2. Registration
3. Insurance
4. Running costs
5. Servicing and repairs
6. Loan repayments (if using credit).

Explain to students that they will then need to list at least three examples of things related to each main expense in each of the six outside circles. These examples may be specific costs or factors that may impact on the cost. Examples could include:

- **Price:** New car, used car, private purchase, make and model of car, warranty.
- **Registration:** roadworthy certificate, size of vehicle, weight of vehicle.
- **Insurance:** Type (e.g. Compulsory third-party, Third-party property, Third-party fire and theft, Comprehensive), driver age, driving record, make and model of car, additional features or extras.
- **Running costs:** Fuel, engine size/fuel efficiency, tyres, parking costs.
- **Servicing/repairs:** Service/repair centre, parts availability, where the car comes from (e.g. European cars v. Australian made cars).
- **Loan repayments:** Payment schedule, interest paid over life of loan, the credit provider e.g. high dealer rates v. bank or parents etc.

***Teacher tip:** A student could also complete this activity on the purchase of a motorbike.

Additional activity 1(c): My first car

Level	Duration	Resources needed
N/A	30 mins	<ul style="list-style-type: none"> • Worksheet 1(c) – mind map • Buying a car starter pack on Moneysmart

Task 1: My first car mind map worksheet

Using the internet, students find a picture of their ideal 'first car' (under \$20,000) and copy and paste it into the centre circle of their worksheet mind map.

Task 2: Car expenses research

Using the internet, students research the six main expenses specifically associated with owning their ideal first car. Students record their answers in the mind map along with two or three factors that will impact on that cost. For example, insurance costs and coverage will significantly differ if you buy a 1999 VT Club Sports Commodore on finance, as compared with paying cash for a 1970s Volkswagen Kombi.

***Teacher tip:** Set some parameters for your students so that they are costing on the same basis. For example, each student will have to have their car serviced twice a year and will travel 100 km per week.

Task 3: Discussion

At the end of the activity ask students to compare the costs of buying and running the car they have selected so that they can hear about the range of vehicles selected and their running costs.

Reflective/Summative activity (5 minutes)

1. List three new things that you learned today about buying a first car.
2. In your opinion, which of these components is the most important to you?

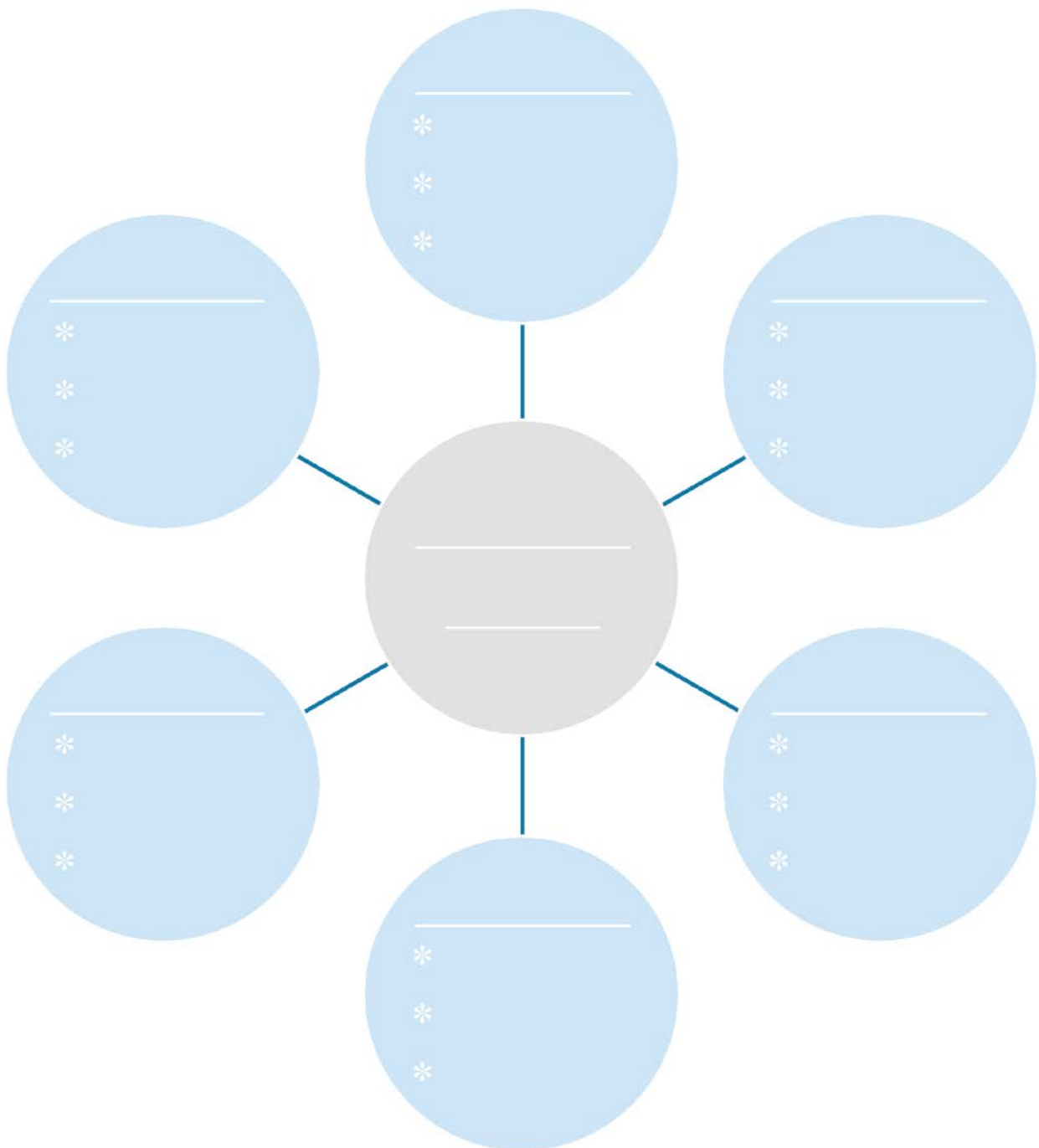
Extension or homework activity

Complete the same exercise, but this time for a student's ultimate dream car: e.g. Dodge Viper, Gull-Wing Mercedes, 1970 GT Holden Monaro, etc.

Additional worksheet 1(b): Buying a car mind map

NAME: _____

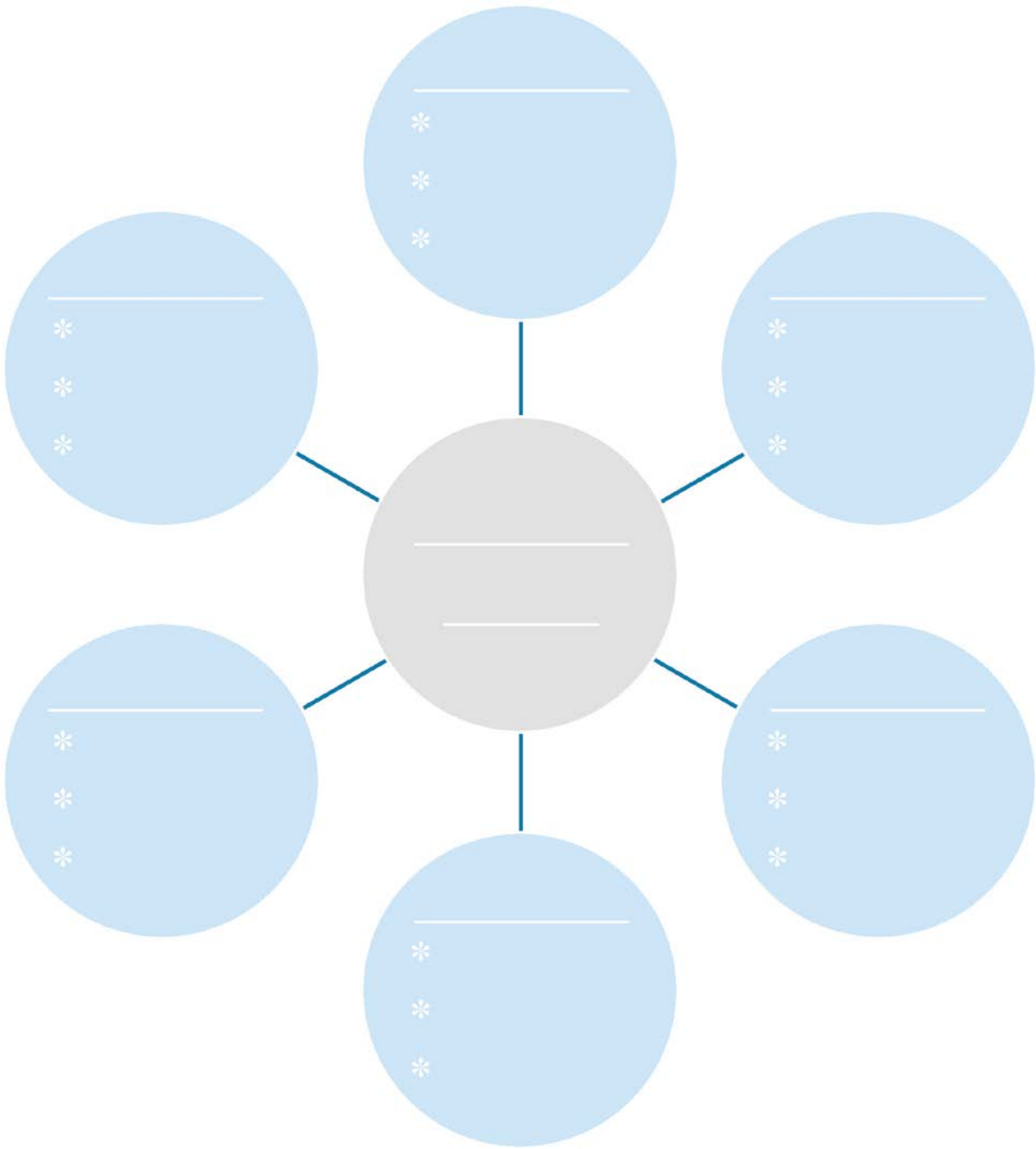
Complete the following mind map by writing 'CAR' in the centre circle and listing the six main expenses of owning a car in the outer circles. Complete the dot points below the expenses by writing specific costs or factors that may impact on the cost.



Additional worksheet 1(c): My first car mind map

NAME: _____

Complete the following mind map by finding a picture of 'My First Car' (under \$20,000) and pasting it into the centre circle. Use the 'Buying a car' starter pack on the Moneysmart website and the internet to research the six main expenses specifically associated with owning your dream first car. Record the expenses in the outer circles and below them write the features of your first car or your intended use that will affect the cost.



Additional lesson 2: First car — the fine print

- **Year level:** Year 9 and 10
- **Duration:** 60 minutes
- **Key learning area:** English, Mathematics, Economics and Business

Lesson description

Students will continue to explore the previously identified rookie errors associated with buying a car by revising their learnings from the previous lesson, *'Wheels and deals'*.

Students will complete activity worksheets to delve more deeply into the financial pitfalls of car loans and insurance. Students are also informed of how to access help if issues arise with repaying debt. The lesson concludes with the students applying their richer knowledge of 'buying a first car' in their use of the *'First Car'* convo, in which they work through some of the key considerations when buying a first car.

Long-term understanding/deep learnings:

- Making informed and responsible choices when buying a car can save you money.
- You can save money and avoid 'rookie errors' if you research the essential costs related to buying your first car.
- A car loan contract is a legal agreement that once signed may present legal problems if you cannot pay the car loan.
- The cover provided by car insurance differs based on the car insurance type and the individual policy.
- You can access help if issues arise when buying your first car.

Additional activity 2(a): Revision

Level	Duration	Resources needed
N/A	5 mins	N/A

Task 1: Revision pair-up

Ask students to turn to the person next to them and tell them the most important thing they learnt about buying a new car in the previous lesson.

Task 2: Discussion

Seek a range of responses from the class and write them up on the board. Possible responses will include:

- there are a number of costs involved with buying a car,
- there are several reasons why people buy cars,
- the costs involved with buying a car will differ according to the type of car you purchase.

Recap that some expenses involved with owning and running a car include car insurance and loan repayments if credit was used. Explain that they will explore these costs in more detail today.

Additional activity 2(b): Getting a car loan

Level	Duration	Resources needed
N/A	25 mins	<ul style="list-style-type: none"> Worksheet 2(b) 'Car loans' webpage on Moneysmart 'Personal loan' calculator on Moneysmart 'Managing debt' webpage on Moneysmart

Task 1: Car loans worksheet

Using the resources above, students will need to complete all of the questions on the worksheet based on the information from the website and calculator.

Task 2: Discussion

Discuss answers with students. It should be noted that taking out a car loan means that you will end up paying much more for the car than its original price. It should also be pointed out:

- that a car loan is a legal agreement and you may have legal problems if you cannot pay the car loan.
- help is available if you do borrow money and are having difficulty meeting your financial obligations.
- there are other ways to get a car without borrowing such as saving up for one or using a family car and contributing to the running costs.

Task 3: View Moneysmart's 'Managing debt'

Ask students to access the 'Managing debt' section. Use the worksheet to note three things to do if they find themselves unable to pay a loan/debt. Responses could include:

- talk to your credit provider to let them know you are experiencing financial difficulty
- ask if it is possible to alter your loan payments on a temporary basis
- in some circumstances you could apply for hardship variation and change the repayments
- you can ask for free advice or help from a financial counsellor.

Additional activity 2(c): Car insurance

Level	Duration	Resources needed
N/A	15 mins	<ul style="list-style-type: none"> Worksheet 2(c) Car insurance webpage on Moneysmart Buying a car starter pack on Moneysmart

Task 1: Car insurance worksheet

Inform students that they will need to explore the Moneysmart website to find information about car insurance (eg. Car loans, young drivers).

Students work through all of the questions on the worksheet.

Task 2: Discussion

Discuss answers with students. It should be noted that:

- drivers are required by law to have compulsory insurance which covers death and injury to other people but does not cover repairs to your car. It is known as third-party insurance with each state and territory having its own rules for this type of insurance.
- extra car insurance is optional, but can save young people money in the long term
- factors to consider when considering car insurance include: how much excess you must pay with a claim, the level of cover and any exclusions and premium cost.

***Teacher tip** Ask students what type of insurance they would most likely choose when buying their first car. Because of limited finances, for most students it may just be third-party property insurance.

Additional activity 2(d): Buying a car practice conversation

Level	Duration	Resources needed
N/A	10 mins	<ul style="list-style-type: none"> • Digiactivity: Digital Convo – Car ownership Students have a conversation with a friend about buying their first car. • Video: The cost of car insurance (1:24 mins)

Task 1: Practice conversation

Using computers (or sharing a computer), students complete the 'Car ownership' convo. Students work through the convo which gives them the opportunity to practise what they need to do and the questions to ask when buying their first car.

Teacher tips:

- Encourage students to bring headphones for the digiactivity convo activity
- Use the video case study: 'The cost of car insurance' (1:24 mins) instead of the 'Car ownership' convo. This shows what happens when Nicki's sister didn't consider all the costs when buying her first car and she chooses compulsory third-party insurance.

Additional activity 2(e): Revision test

N/A	5 mins	<ul style="list-style-type: none"> • Worksheet 2(e) • Video: In the driver's seat (6:13 mins)
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Task 1: Buying your first car revision test.

Students to complete the questions within the worksheet under test conditions.

***Teacher tip:** Instead of a revision test ask the class to re-watch the Moneysmart Rookie 'In the driver's seat' video focusing on the segment featuring Peter (at 1 minute 40 seconds to 2 minutes 40 seconds). Ask students after having completed the lessons what advice they would give Peter.

Summative assessment

Students could be assessed by collecting and then marking their revision tests.

Extension or homework activity

- Ask students to conduct an interview with a parent or family friend about their first car. Students should find out if they made any rookie errors.

- Ask students to conduct an interview with the school automotive teacher or a local car dealership service manager about buying a car. Students could ask them for their 'top 5 tips'.

Additional worksheet 2(b): Getting a car loan

NAME: _____

Search Moneysmart for information on 'Car loans'.

1. Explain why a car loan is actually a personal loan for the purpose of buying a new or used car.

Instruction/s

- i. Click on the personal loan calculator. Keeping 'your dream first car' from the previous lesson in mind, enter the amount you will borrow and the interest rate (you will need to research current interest rates or ask your teacher) and see what your monthly repayments will be.
- ii. After entering the information you will discover how much you will need to repay in total over the life of the loan. Experiment with different numbers. You can also click on the next two tabs, to determine how much you can borrow and how to repay your loan sooner.

2. Can you afford the monthly repayments that you have calculated? Why or why not?

3. How much is the **total** amount of money that you need to repay? Why is this different to the amount you borrowed?

Instruction/s

- i. Go back to the Car loans section of the Moneysmart website.

4. Outline the differences between a secured loan and an unsecured loan.

5. What are your options when it comes to shopping for a car loan?

Additional worksheet 2(c): Car insurance

NAME: _____

Instruction/s

Search Moneysmart for information on 'Car insurance'.

1. Explain the four main types of car insurance. Which one is required by law?

2. Outline some of the factors to consider when choosing car insurance.

3. What five things do you need to watch out when organising insurance and finance through a car dealer?

Additional worksheet 2(e): Buying your first car - Revision test

NAME: _____

Instruction/s

Answer all questions below, under test conditions:

1. List the main reasons why people buy cars.

2. Briefly explain the six main expenses in owning your first car.

3. What are some disadvantages associated with taking out a loan to buy your first car?

4. What are some other ways you could buy your first car without borrowing money?

5. Outline what you can do if you run into trouble with debt.

6. What type of insurance would you get if you wanted to cover for:

- Damage to your car:
- Injuries or death to other people in an accident:
- Damage or loss caused by theft or fire: