



Activity:

Transportation Worksheet

This activity provides a worksheet and step-by-step instructions to plan your major vehicle purchase. First you will evaluate your reasons for buying a vehicle. Then you will prepare a budget estimate, search for and compare vehicles, calculate all the monthly costs associated with the purchase, and consider alternative options.

Of course, many people dream of having a beautiful Ferrari parked in their driveway, but take a moment to think about what you need for transportation. What attributes do you honestly need in the vehicle you select? Consider not just the car's features, but the purpose of transport itself. Do you even need a vehicle? Let's explore.

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Why Do You Need a Vehicle?

Some reasons are obvious – like getting to work – while others might be more subtly hidden in your emotions.

Primary Reasons

Getting to Work

Transporting Work Clients

Family Needs (Kids to school, daycare, shopping, daily errands)

Health Appointments (Doctor, dentist, exercise, personal care)

Transporting Family with Special Needs (Baby care seat, wheelchair accessibility)

Other _____

Secondary Reasons

I do not have time to spare to wait

It is more convenient and reliable than public transport

I feel it's safer than public transport

It gives me more options for conveying shopping and heavy items

I feel it's a key aspect of my independence and freedom

I feel it's an important part of my public appearance

Other _____

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Budgeting the Cost of Your Vehicle

Vehicle Features & Attributes

Let's figure out what you will be looking for before we begin searching. Take a few moments to brainstorm the important things you want in a vehicle. Is there a particular type of vehicle you really want? Do you want to make sure you get above a certain number of miles per gallon? Are you primarily focused on getting the best deal for what you can afford? Will you be using your vehicle for things other than just commuting (i.e., hauling, towing, skiing, etc.)? Do you want to buy new or used?

Attribute	Critical	Important	Like-to-Have	Not Important
Safety				
Reliability				
Fuel Economy				
Handling / Performance				
Styling				
Features / Technology				
Comfort / Accessibility				
Size / Number of Seats				
Purchase Price				
Maintenance Costs				
Environmental Impact				
Utility (Hauling / Towing)				
Other				
Other				

Vehicle Search & Compare

Now that you have defined what you are looking for in a vehicle, you can begin comparing options. Let's start with the most obvious: price.

Many sites offer vehicle payment estimate calculators. Simply entering "Car Payment Estimator" into a search engine will yield thousands of results. For example, take a look at Car.com's calculator here:



[Visit: Monthly Payment Calculator](https://www.cars.com/car-affordability-calculator/)

<https://www.cars.com/car-affordability-calculator/>

With this calculator, you get to work a bit in a "backwards" direction by entering in your desired monthly payment along with other financial aspects of your purchase such as down payment, sales tax (if applicable), interest rate, and loan term. The output of this calculator gives you the total cost of the vehicle you can afford given the numbers you entered.

When gauging the affordability of a vehicle, always remember that there are costs beyond just the loan payment: insurance, gas, maintenance, and registration always need to be factored into your decision.

1. You will need a down payment (especially if you don't have superb credit).
2. You will need to pay documentation, title, registration, and license fees; some states also charge sales tax.
3. You will have to pay interest on the loan you take out.
4. You must qualify for the loan.
5. You must have full coverage insurance on any vehicle that is financed.
6. You will have other ongoing fees including registration, maintenance, and gas.

Now that we have a general starting price estimate for a vehicle, let's begin comparing easily quantifiable vehicle attributes such as fuel economy, safety ratings, horsepower, and estimated vehicle maintenance costs. There are many tools online that allow you to compare three or more vehicles side-by-side at the same time.

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Vehicle Search & Comparison



[Visit: Cars.com](https://www.cars.com/)

Start Search

<https://www.cars.com/>



[Visit: AutoTrader.com](https://www.autotrader.com/)

Start Search

<https://www.autotrader.com/>

If you do not have any makes or models in mind, it may be best to simply start with your price estimate and browse vehicles that fall at or under that price. Once you find a few that you like, you can begin comparing them according to the other vehicle attributes you listed above.

Used vehicles typically cost less, require lower insurance coverage, and hold their value better over time. Your new vehicle will be worth a lot less the second you drive it out of the dealership, because it isn't "new" anymore.

You can use websites such as those linked above to specify your search to used vehicles only. You can also search for your local dealership's website to check if they have a "used inventory" section within their website.

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Quantifying Your Purchase

Now that you have narrowed down your purchase decision to a vehicle or two, let's do a final in-depth financial comparison.

	Vehicle 1	Vehicle 2
Upfront Costs		
Listed Price		
Sales Tax*		
Vehicle Title**		
Vehicle Registration**		
Vehicle License**	\$ _____	
	Total Upfront Costs Sum the above items in this column \$ _____	Total Upfront Costs Sum the above items in this column \$ _____

*If Applicable. Not all states charge sales tax.

To calculate sales tax, enter the listed price of the vehicle on your calculator, click the multiply, “*” or “x” symbol and then enter the decimal form of your state’s sales tax rate (see examples below). Then click the equal “=” symbol. This number is the amount of tax you must pay in addition to the cost of the vehicle.

Examples of percentages in decimal form:

7% = 0.07 7.5% = 0.075 9% = 0.09 9.2% = 0.092 11% = 0.11 11.3% = 0.113

**Vehicle title, registration, and license fees also vary state-by-state. Visit your state’s Department of Motor Vehicles (DMV) website to determine your estimated costs.

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	Vehicle 1	Vehicle 2
Available Funds & Assets		
Available Cash for Purchase		
Estimated Value of Trade-in*		
	Total Down Payment Sum the above items in this column \$ _____	Total Down Payment Sum the above items in this column \$ _____

*A “trade-in” is just a purchasing term that means you will sell the vehicle you currently own to the seller at the same time you purchase the new vehicle.

Similar to researching fair prices for the cost of the vehicle you want to buy, you can research the fair price for any vehicle you plan to include as a “trade-in” when you purchase your new vehicle.

Using your current vehicle’s specifications (make, model, year, features, mileage) you can get an estimated range of your vehicle’s worth.

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Now that we know the full up-front cost of what you want to buy and how much you have available for a total down payment, subtract your down payment from the total cost to calculate the amount you will need to finance.

	Vehicle 1	Vehicle 2
Financing		
Amount Needed to Finance*		
Estimated Interest Rate**		
Loan Term (Months)		
	Monthly Loan Payment \$ _____	Monthly Loan Payment \$ _____

*Using your preferred loan payment calculator, enter the total amount you need to finance, an estimated interest rate, and the term of the loan.

Simply entering “Auto Loan Calculator” into any search engine will give you thousands of options. Remember: you have already factored in the down payment, trade-in value, and sales tax in previous calculations.

**Interest rate is just another part of the cost of your vehicle. You can shop around for financing offers. Vehicle dealers try to simplify the purchase by combining all purchase elements into a single, easy-to-understand, monthly payment; and there is nothing inherently wrong with that. It is just important for you to remember that the cost of the vehicle, your trade-in value, and your interest rate can be separate parts of the negotiation for buying your vehicle.

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	Vehicle 1	Vehicle 2
Total Monthly Expenses		
Monthly Loan Payment (Same as above)		
Annual Vehicle Registration Cost divided by 12		
Monthly Insurance*		
Fuel		
How many miles do you drive per day?	A)	A)
How many miles per gallon (MPG) does your vehicle estimate?	B)	B)
Estimated average cost of 1 gallon of fuel in your area	C)	C)
Calculate Your Monthly Fuel Costs**	$\left(\frac{A}{B} * C\right) * 30$ \$ _____	$\left(\frac{A}{B} * C\right) * 30$ \$ _____
Monthly Maintenance***		
	Total Down Payment Sum the above items in this column \$ _____	Total Down Payment Sum the above items in this column \$ _____

*If you are financing a vehicle, in most cases you will be required to purchase full insurance coverage and not just liability. Most insurance companies can provide estimates on the spot if you have the vehicle's VIN.

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**To calculate monthly fuel costs, enter the estimated number of miles you drive per day on your calculator, click the divide, “÷” or “/” symbol, then enter the estimated miles per gallon (MPG) of your vehicle. Then click the multiply, “*” or “X” symbol, and enter the average cost of 1 gallon of fuel in your area. Click the multiply, “*” or “X” symbol again, and enter 30. Then click the “=” symbol. This number is your estimated monthly fuel costs.

***For newer vehicles, maintenance will be the basics: car washes, oil changes, air filters, tires, brakes. Many of these items can be roughly estimated according to the amount of mileage expected before they need replacing.

For example, many tires start to show need for replacement after around 12,000 miles. If you drive 500 miles a month, then you will need to replace your tires every 2 years. If a set of 4 new tires costs \$400, then you will need to budget \$16.66 per month for tires ($\$400 / 24 \text{ months} = \16.66 per month).

For older vehicles, you will need to prepare the same maintenance budget, while also increasing your emergency fund to accommodate more significant repairs. If the radiator goes out, do you have \$500 available to replace it in a short amount of time?

What Other Options are Out There?

Sometimes having your own vehicle is not necessary, especially in large cities where there are a lot of transportation options. Maybe you live in a city that has an amazing bus/train/subway system that will take you straight to work. Maybe you would enjoy riding a bike to work if there is a safe route. Maybe something like ZipCar – where you rent a “public” vehicle for short periods of time – would best fit your needs. Maybe you can work remotely from home, and simply order an Uber or Lyft ride to run your weekend errands.

This is a difficult decision for some people who feel that having a vehicle is a major aspect of their independence and standard of living. Simply take a moment to explore the idea. Small adjustments to your lifestyle may free you from the costs and worries of vehicle ownership; it is a very personal decision for you to explore in earnest.

If you discover that you may be able to adapt to a combination of alternative transportation options, the time and convenience opportunity costs are not too great, and you would reap large savings in monthly expenses by using alternative transport compared to vehicle ownership, you may want to give the concept a test run for a few weeks.

If after all this research you discover that you don't really need a vehicle, you can now enjoy a good percentage of your income that everyone else places into vehicle ownership. Where else in your lifestyle or future financial situation would you like to invest this new-found money?