

# CHAPTER 12

# TRANSPORTATION

## How Will You Get There?

### WHAT'S AHEAD

- 12.1** Transportation Basics
- 12.2** How to Choose a Car
- 12.3** To Buy or Lease?
- 12.4** The Car-Buying Process
- 12.5** How to Maintain a Car

## LESSON 12.1

# Transportation Basics

## GOALS

- ▶ Describe the importance of transportation in American society.
- ▶ Discuss transportation alternatives to cars.

# KEY TERM

- carpool

# Transportation and Society

- ▶ When do you use transportation?
- ▶ Local, state, and federal transportation offices

# Transportation Options

- ▶ Individual transportation
- ▶ Public transportation
- ▶ Carpooling

# Individual Transportation

- ▶ Bicycles
- ▶ Inline skates
- ▶ Motorcycles
- ▶ Safety equipment

# Public Transportation

- ▶ **Cost**
- ▶ **Convenience**
- ▶ **Speed**
- ▶ **Environmental benefits**

# CHECKPOINT 12.1

- How important is transportation in the American lifestyle?
- What methods of transportation can you choose besides driving a car?



# CHECKPOINT 12.1 ANSWERS

- How important is transportation in the American lifestyle?
- Americans travel more than people in any other nation.
  - Travel is an important part of the American way of life.

# CHECKPOINT 12.1 ANSWERS

➤ What methods of transportation can you choose besides driving a car?

- Bicycles
- Inline skates
- Motorcycles
- Walking
- Public transportation (buses, trains, etc.)
- Carpooling

## LESSON 12.2

# How to Choose a Car

## GOALS

- ▶ Explain how to determine whether you should buy a car.
- ▶ Describe how to evaluate your choices in new and used cars.

# KEY TERMS

- **odometer**
- **feature**
- **option**

# Should You Buy a Car?

- ▶ Can you pay for a car?
- ▶ New or used car?
  - ▶ Reliability
  - ▶ Cost
  - ▶ Mileage

# What Car Is Right for You?

- ▶ What class of car?
- ▶ Which model?
- ▶ Features and options
  - ▶ Dealer add-ons
  - ▶ Extended warranty
  - ▶ Safety features

# How to Evaluate a Used Car

- ▶ You should inspect a used car carefully before buying.
- ▶ After evaluating the car, take it to a mechanic you trust as a final check before you buy.

## CHECKPOINT 12.2

- Which factors should you consider when deciding whether or not to buy a car?
- Where can you find information to help you decide what car is right for you?



# CHECKPOINT 12.2 ANSWERS

- Which factors should you consider when deciding whether or not to buy a car?
- Can you fit this cost into your budget?
  - Spend no more than 20 percent of your take-home pay on a car.
- New cars are more reliable and may be higher quality, but they are more expensive to buy and lose value more quickly than used cars.

# CHECKPOINT 12.2 ANSWERS

- Where can you find information to help you decide what car is right for you?
  - *Kiplinger's Personal Finance Magazine*
  - *Edmunds*
  - *Kelley Blue Book*
  - *Consumer Reports*
  - Car magazines
  - Internet

## LESSON 12.3

# To Buy or Lease?

## GOALS

- ▶ Explain how to finance the use or purchase of a car.
- ▶ Describe how to evaluate documents you will be asked to sign when you buy or lease a car.

# KEY TERMS

- rebate
- leasing

# Finance Options

- ▶ Dealer
- ▶ Credit union
- ▶ Local bank
- ▶ Internet

# Leasing

## ▶ How a lease works

## ▶ Lease terms

Gross capitalized cost

Monthly payment

Capitalized cost reduction

Mileage allowance

Acquisition fee

Excess wear fee

Residual value

Disposition fee

Money factor

## ▶ Steps to leasing

## ▶ Who should consider a lease

# Steps to Leasing

- Step 1:** Negotiate the price of the car
- Step 2:** Know the residual value
- Step 3:** Make down payment and security deposit
- Step 4:** Arrange financing
- Step 5:** Check leased car before you return it
- Step 6:** Return your leased car

# The F&I Office

- ▶ Financing
- ▶ Insurance
- ▶ Optional products
- ▶ The sales contract



# The Sales Contract

- Cash price
- Down payment
- Unpaid cash balance
- Insurance premiums
- Other costs
- Principal amount financed
- Finance charge
- Total cost of the loan
- Payment schedule

## CHECKPOINT 12.3

- What are the steps in leasing a car?
- What kinds of products will the F&I manager want to sell you?

# CHECKPOINT 12.3 ANSWERS

➤ What are the steps in leasing a car?

- Negotiate the price of the car
- Know the residual value
- Make the down payment and security deposit
- Arrange financing
- Check your leased car thoroughly before returning it
- Return your leased car to the dealer

# CHECKPOINT 12.3 ANSWERS

- What kinds of products will the F&I manager want to sell you?
- Insurance policies, such as accidental death and dismemberment, gap protection
- Extended warranty protection
- “Add-ons,” such as rust proofing

## LESSON 12.4

# The Car-Buying Process

## GOALS

- ▶ Explain how to calculate a fair price.
- ▶ Describe how to negotiate the purchase of the car you want.

# KEY TERMS

- **invoice price**
- **sticker price**

# Determine a Fair Price

- ▶ The invoice price
- ▶ Sticker price
- ▶ How to calculate a fair price
- ▶ Your trade-in

# The Buying Process

- ▶ Where to shop
- ▶ When to shop
- ▶ Test drive



# How to Negotiate the Deal

- ▶ Round 1—make your first offer
- ▶ Round 2—wait for a counteroffer and make a new offer
- ▶ The final price
- ▶ Read all paperwork

## CHECKPOINT 12.4

- How can you determine a fair price for the car you want?
- What events should you expect to take place in the car negotiation process?

# CHECKPOINT 12.4 ANSWERS

- How can you determine a fair price for the car you want?
  - The fair price for a car is roughly 3 percent more than the invoice price.
  - Invoice price of cars can be obtained from *Consumer Reports*, *Edmunds*, *Kelley Blue Book*, or *MSN Autos*.

# CHECKPOINT 12.4 ANSWERS

- What events should you expect to take place in the car negotiation process?
  - Make an offer.
  - Evaluate the counteroffer.
  - Continue this process until you reach a fair price.
  - Be sure to read all the paperwork.

## LESSON 12.5

# How to Maintain a Car

## GOALS

- ▶ Identify routine maintenance checks you should make on your car.
- ▶ Explain how to find and do business with an automobile repair shop.

# KEY TERMS

- owner's manual
- maintenance schedule
- dipstick
- tune-up
- rebuilt (reconditioned)
- lemon law

# Every Car Needs Maintenance

- ▶ Your owner's manual
- ▶ Routine preventive tasks
  - ▶ Tires
  - ▶ Oil
  - ▶ Other fluids
  - ▶ Tune-ups
  - ▶ Brakes
  - ▶ Other routine checks
  - ▶ Exterior maintenance

# Repair Services

- ▶ **How to choose a repair shop**
  - ▶ Check them out
  - ▶ Build a relationship
- ▶ **Doing business with a repair shop**
  - ▶ Describe the problem
  - ▶ Get an estimate
  - ▶ Guarantees
  - ▶ Check and pay for repairs
  - ▶ Save your receipts
- ▶ **Resolve problems**



# Lemon Laws

- ▶ All states have lemon laws that protect consumers who buy defective new cars.
- ▶ Generally a car is defined as a lemon if it has
  - ▶ a defect that cannot be fixed after four attempts
  - ▶ continued major problems that keep it in the shop for 30 days during the warranty period
  - ▶ numerous major problems
- ▶ If a car qualifies as a lemon, you have a choice—replacement or refund.

## CHECKPOINT 12.5

- What types of maintenance should be performed on your car at regular intervals?
- How can you find a good repair shop, and what can you expect from the shop when you take your car for service?

# CHECKPOINT 12.5 ANSWERS

- What types of maintenance should be performed on your car at regular intervals?
  - Check oil and other fluids regularly and replace them according to the maintenance schedule.
  - Look under the car to find any leaks.
  - Check tires and hoses periodically.

# CHECKPOINT 12.5 ANSWERS

- How can you find a good repair shop, and what can you expect from the shop when you take your car for service?
- Ask friends and family for recommendations.
  - Check with the Better Business Bureau.
  - Look for posted training certificates.
  - Observe if the shop appears to be tidy and well run.
  - Expect a written estimate and an explanation of work to be done, an invoice that itemizes labor and parts, and a guarantee for work done.