

Name: _____

Deals on Wheels Simulation

Select "Explore Different Loan Lengths" and read the introduction.

Scenario 1

You have just been hired by a company for an annual salary of \$25,000, and you need a car to get to and from work. The cost of the car you have chosen is \$12,000, but you haven't had a chance to save for a down payment. You must get a loan at a rate of 8%.

1. Make predictions about the amount of money in your checking account over the next five years.

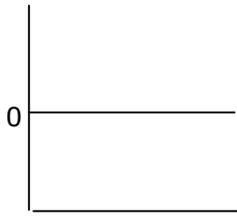
<p>If I pay off my car in one year, I think my checking account will:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>because _____</p> <p>_____</p>	<p>If I pay off my car in five years, I think my checking account will:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>because _____</p> <p>_____</p>
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2. Click the switch, "Explore Different Loan Lengths."
3. Input the settings on the computer to match this scenario. Note: You cannot change these settings once the simulation begins.

Salary: \$25,000	Car Price: \$12,000	Interest Rate: .08
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4. Set the loan length to 1 year. You will completely pay off the car in one year.
5. Click "Start Simulation."
6. Notice that the graph will display from 0-60 months along the bottom (the x-axis). Run the simulation for the entire 60 months; you'll see a message appear when the simulation run has ended.
7. On the next page, copy the graph along with the "Interest Paid" and "Money in Checking" for the "Run 1-1yr loan."

Run 1-1yr loan

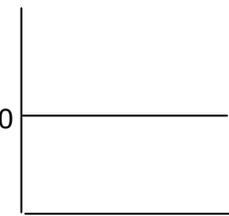


0 Years 5

Interest:

Chking Acct.:

Run 2-2yr loan

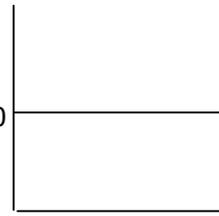


0 Years 5

Interest:

Chking Acct.:

Run 3-3yr loan

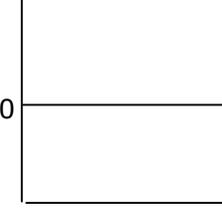


0 Years 5

Interest:

Chking Acct.:

Run 4-4yr loan

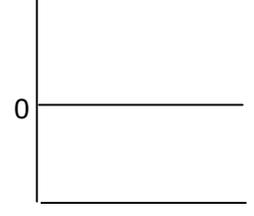


0 Years 5

Interest:

Chking Acct.:

Run 5-5yr loan



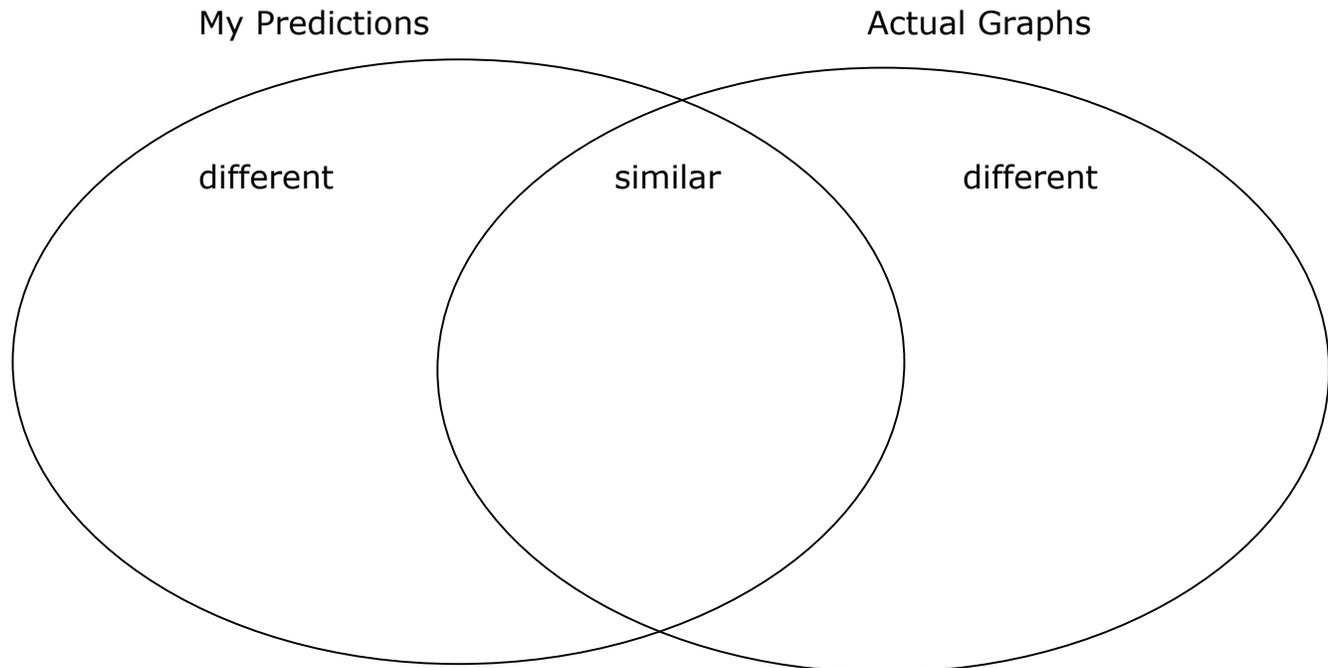
0 Years 5

Interest:

Chking Acct.:

8. Click "Start Over." Run the simulation four more times, adding a year to loan length each time. Make sure to record your graph and data for each run.

Fill in the Venn diagram to show how your predictions compared to what actually happened on the graphs?



Describe one important aspect about having a longer versus a shorter loan length.

**Click "Start Over"
Select "Buy a Car" and read the introduction.**

Scenario 2

Based on what you learned from the first five runs, make a plan to budget your money given the same salary, car price, and interest rate. Remember, you don't want your account to have a negative balance, so you may need to run the simulation more than once in order to succeed.

Salary: \$25,000	Car Price: \$12,000	Interest Rate: .08
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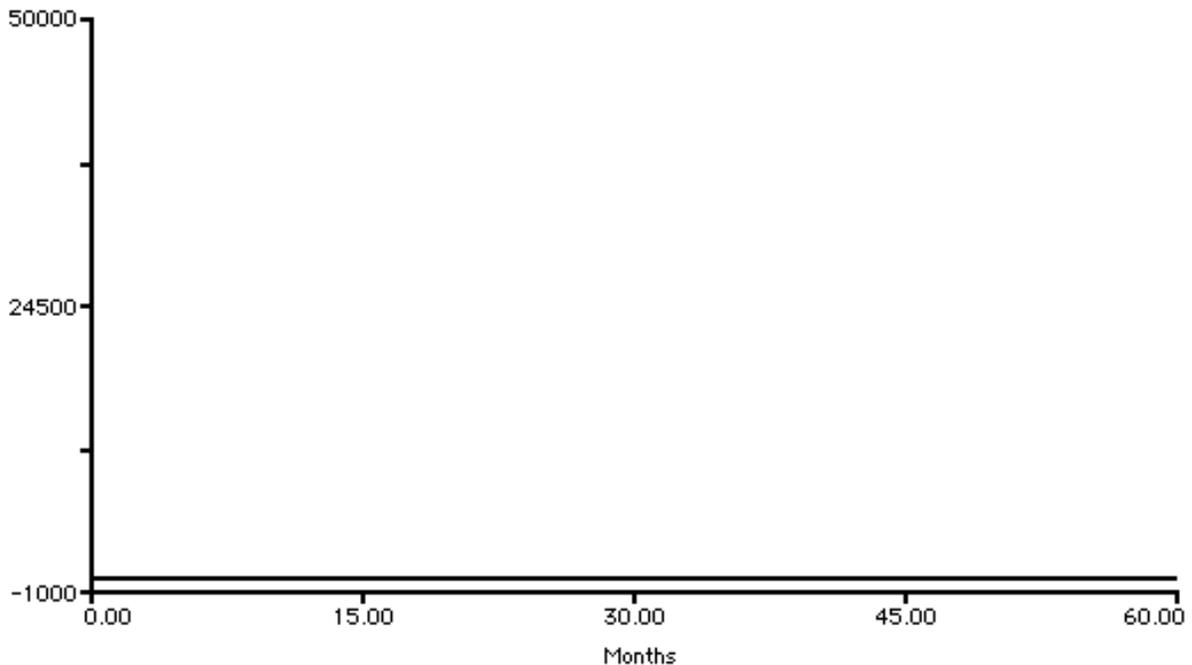
1. Decide on the best loan length and write it in the box.
2. Click the switch, "Buy a Car."
3. Input your settings on the computer. Click "Start Simulation."
4. Decide on recreation and savings for the first year and record below.
Remember to balance what is reasonable and desirable for recreation and savings.

Recreation:	Savings:
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5. Input these settings on the computer and run the simulation. You may make adjustments at the end of each year. Keep in mind that after your car is paid off, you could choose to save more and spend more on recreation.

6. Record the graphs and the final amounts when you have succeeded:

Checking:	Savings:	Recreation:
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Explain why you chose the settings for loan length, recreation, and savings.

Did your account have a negative balance at any time? If yes, why did this happen? How did you prevent it from happening on your next attempt?

Fill out the chart to show the benefits and tradeoffs of different loan lengths.

	Shorter Loan Length (1-2 years)	Longer Loan Length (4-5 years)
Benefits		
Trade-offs		

Click "Start Over" and then select "Buy a Car."

Scenario 3

1. Raise your hand to receive your new random salary.

2. Based on your knowledge from previous runs, select a car price you feel is appropriate for your salary and write it in the box.

3. Given your salary, decide on the best loan length and write it in the box.

4. Notice that the annual interest rate is now 5%.

5. Click the switch, "Buy a Car."

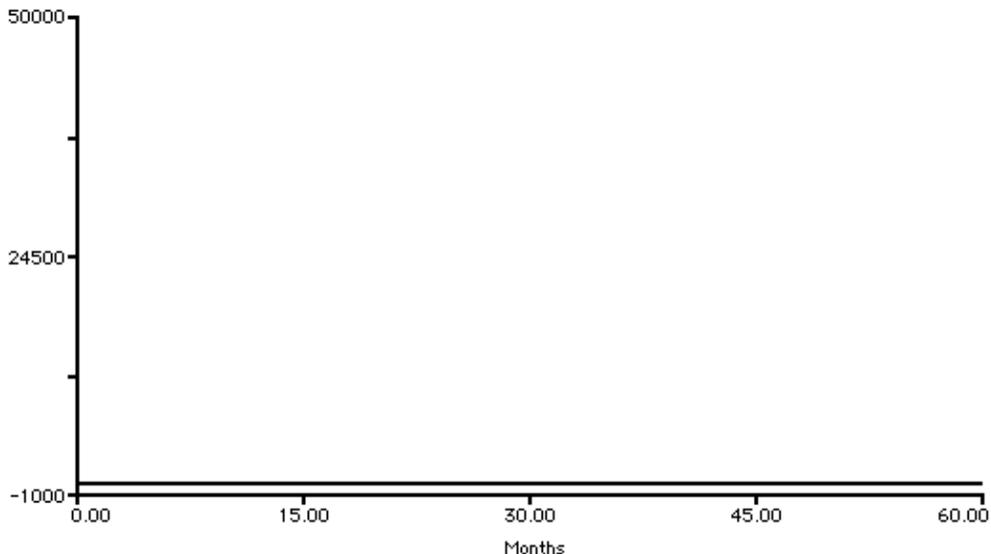
6. Input your settings on the computer and click, "Start Simulation."

7. Explain your five-year plan for recreation and savings. If you are making more money than before, your allocations should also be greater to reflect this.

8. Predict what will happen to your checking and savings accounts based on these decisions. _____

9. Run, make adjustments each year, and record graphs and data below.

Checking:	Savings:	Recreation:
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How was your prediction the same or different from what actually happened? Why do you feel this occurred?

How did the choices you made affect your ability to put money into your savings account or to spend money on recreation?

Click, "Start Over" and then select "Buy a Car."

Scenario 4

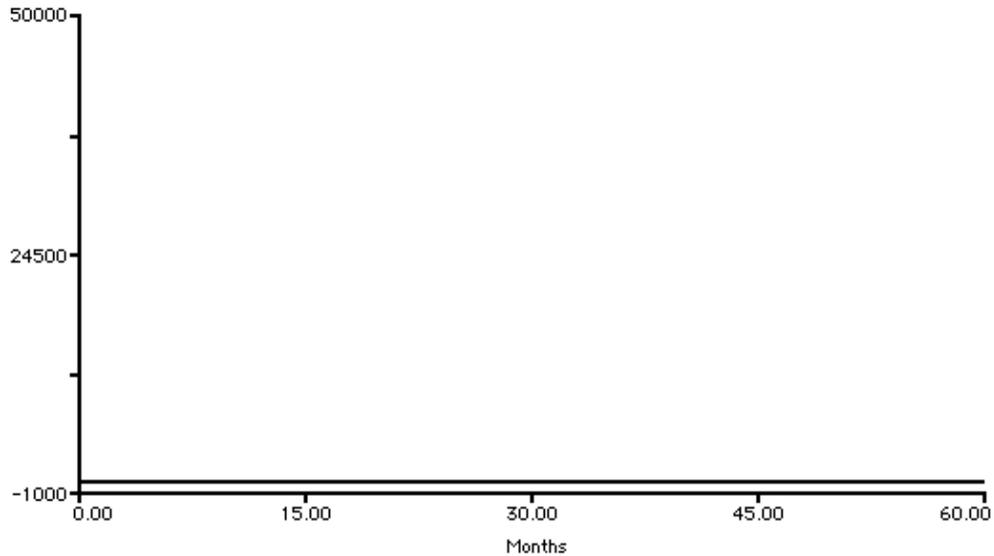
You have gained experience in the work force (compared to Scenario 2) and are now earning a salary of \$50,000. You have decided to buy a *new* car and save money for a 10% down payment on a house that would cost \$100,000. How much do you need in your savings account at the end of five years to make the down payment? _____

1. Remember, your salary is \$50,000.
2. How much will you spend on a new car?
New cars cost 17 - 50 thousand dollars.
3. Decide on the best loan length and write it in the box.
4. Notice that the annual interest rate is now 8%.
5. Click the switch, "Buy a Car," input your settings on the computer, and click "Start Simulation."
6. Explain your five-year plan for recreation and savings, based on your salary and your new goal. _____

7. Predict what will happen to your checking and savings accounts based on these decisions? _____

8. Run, make adjustments each year, and record the graphs and data below.

Checking:	Savings:	Recreation:
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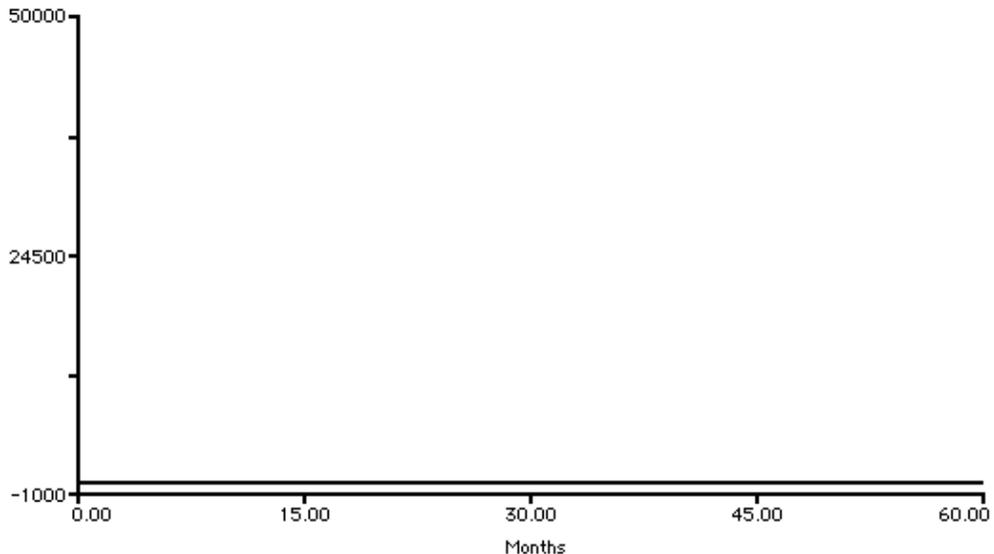


Were you able to achieve your goal? If **yes**, explain why.

If **no**, what would you change and why? Make adjustments and try again. (Use the graph below for trial 2 if you need to run the simulation again.)

Trial 2:

Salary: \$50,000	Car Price: \$
Interest Rate: .08	Loan Length:



Click "Start Over." Quit the simulation, but do not save.