

LESSON PLAN

Leasing vs. Buying a New Car

- IT'S A -
**MONEY
THING®**

INCLUDED IN THIS PACKAGE

- **LESSON PLAN** (2 pages)
- **ACTIVITY** (2 pages)
- **QUIZ** (1 page)
- **ACTIVITY ANSWER KEY** (2 pages)
- **QUIZ ANSWER KEY** (1 page)

COLLECT FROM YOUR LIBRARY

- **VIDEO 10** (*Leasing vs. Buying a New Car*)
- **PRESENTATION 10** (*Leasing vs. Buying a New Car*)
- **HANDOUT 10** (*Leasing vs. Buying a New Car*)

BROUGHT TO YOU BY



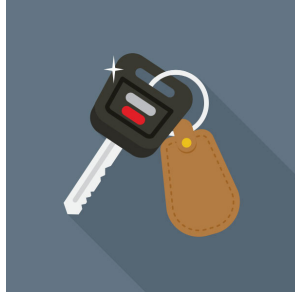


LESSON PLAN

Leasing vs. Buying a New Car

GRADES
10 to 12

TIME
45 minutes



OVERVIEW

This lesson explores the key differences between leasing and financing a new car. Students will analyze the financial and practical considerations of each option, including costs, ownership and long-term value. They will also discuss which choice best aligns with different financial situations and lifestyle needs.

GOALS

- Help students understand the key differences between leasing and buying a new car
- Encourage students to evaluate major purchases, such as cars, by considering factors beyond just the monthly payments
- Foster critical thinking about the hidden costs of car ownership

OBJECTIVES

- Explain the key differences between leasing and buying a new car
- Define depreciation and residual value
- Evaluate the pros and cons of leasing and financing based on financial situations, driving habits and lifestyle choices

ASSESSMENT

Use the activity in this lesson plan to assess students' grasp of the topic. An optional quiz is also provided (the quiz is not factored into the lesson's 45-minute runtime).

Did you know?** This lesson plan explores concepts from Standard 5 (Managing Credit) from the **Council for Economic Education's National Standards for Personal Financial Education.

MATERIALS

- ☐ **VIDEO 10**—*Leasing vs. Buying a New Car*
- ☐ **PRESENTATION 10**—*Leasing vs. Buying a New Car*
- ☐ **ACTIVITY**—*Car Payment Pros and Cons and Answer Key*
- ☐ **HANDOUT 10**—*Leasing vs. Buying a New Car*
- ☐ **QUIZ**—*Leasing vs. Buying a New Car and Answer Key*

PREPARATION

- Gather digital materials (video and presentation)
- Print **HANDOUT 10** for each student
- Print one copy of the **ACTIVITY** for each group of students (or for each student, if working individually)
- Re-create the blank chart from the first page of the **ACTIVITY** on a whiteboard or a large chart
- (Optional) Print **QUIZ** (Leasing vs. Buying a New Car) for each student

Leasing vs. Buying a New Car

5 minutes Introduce topic and show **VIDEO 10** (*Leasing vs. Buying a New Car*)

20 minutes Facilitate ACTIVITY

5 minutes Wrap up and distribute **HANDOUT 10**

(Optional) Assessment: **QUIZ** (*Leasing vs. Buying a New Car*)

- When people make a big purchase like a new car, they usually don't pay the full amount upfront. How do you think they afford it?
- Have you ever seen a car commercial that talks about leasing or financing a vehicle? What do you think the difference might be?

Explain that today's lesson will explore two ways to get a new car: leasing and buying

3. Go over **PRESENTATION 10**

4. Facilitate the **ACTIVITY**

- Divide students into small groups
- Distribute the **ACTIVITY** worksheets (one set per group)
- Give groups 5–10 minutes to fill out the chart with pros and cons
- Review responses together, consolidating correct answers on a whiteboard or large chart visible to all students

- Lead a class discussion using the scenarios from the Answer Key; ask students to determine whether leasing or financing is the better choice for each situation
- Encourage students to reflect on their personal “deal breakers” based on the completed chart

5. Distribute **HANDOUT 10**

6. Wrap up by sharing the following:

- What surprised you most about leasing vs. buying a new car?
- What advice would you give to someone making the decision to lease or buy for the first time?
- A new car might serve an immediate need, but how you pay for it can have long-term consequences; making an informed choice can help you avoid financial stress later

7. (Optional) Distribute **QUIZ** for individual assessment, or answer the questions together as a class; decide whether or not students can reference their notes/handouts during the quiz

NOTES

[illegible]



CREDIT UNION
of America

Directions: Review the points on page 2. For each one, decide if it is a pro or a con for leasing or financing, and write it in the matching section of the chart.

Page 1 of 2

CAR PAYMENT PROS AND CONS

Directions: Review each point below and write its title on the chart from page 1 under the appropriate category.

MAINTENANCE COSTS

Once warranties expire, repairs and upkeep become the owner's responsibility.

FLEXIBILITY

At the end of the term, the vehicle can be returned without a long-term commitment.

LONG-TERM SAVINGS

Once payments are complete, the vehicle can be kept without ongoing monthly costs.

EARLY TERMINATION COSTS

Ending the agreement before the term is up can result in significant penalties.

HIGHER MONTHLY PAYMENTS

Payments can take up a significant portion of a budget.

FREQUENT UPGRADES

Allows access to a newer model every few years, keeping up with the latest features.

UNLIMITED MILEAGE

No restrictions on how much the vehicle can be driven.

WEAR-AND-TEAR FEES

Additional costs may apply for excessive damage or wear beyond normal use.

NO EQUITY BUILDING

Monthly payments do not contribute toward ownership of the vehicle.

DEPRECIATION RISK

The vehicle may lose value quickly, impacting resale or trade-in value.

WARRANTY COVERAGE

Most agreements include coverage for maintenance and repairs.

OWNERSHIP AND EQUITY

Payments contribute to full ownership, allowing the vehicle to become an asset.

RISK OF NEGATIVE EQUITY

If the vehicle's value drops faster than the loan is paid off, you could end up owing more than the car is worth.

LOWER MONTHLY PAYMENTS

Payments are often smaller, making it easier to manage within a budget.

CUSTOMIZATION

The vehicle can be modified or upgraded as needed.

MILEAGE RESTRICTIONS

Driving is limited to a set number of miles per year, with fees for exceeding the limit.



QUIZ

Leasing vs. Buying a New Car

NAME: _____

TOTAL
/7 pts

MULTIPLE CHOICE

Directions: CIRCLE the best possible answer for each question.

1. Which of the following is true about leasing and buying?
 - a. Leasing is always cheaper than buying
 - b. Buying a car prevents it from depreciating in value
 - c. Leasing has no restrictions on mileage
 - d. Buying allows you to build equity, while leasing does not
2. If you drive well above the average lease mileage per year and plan to keep a car long-term, which option is typically more cost-effective?
 - a. Leasing a new car every few years
 - b. Buying a new car and keeping it for its lifespan
 - c. Renting a car whenever needed
 - d. Leasing a used car

/2 pts

MATCHING

Directions: Match each term to its description by writing the corresponding letter in the blank.

- | | |
|--|-------------------|
| _____ 3. The amount paid upfront to reduce loan or lease payments | A. Depreciation |
| _____ 4. The amount by which a car's value decreases over time | B. Lease Term |
| _____ 5. The contract length for a car lease | C. Interest Rate |
| _____ 6. The estimated value of a car at the end of a lease or loan term | D. Down Payment |
| _____ 7. Monthly cost of borrowing money for a car loan | E. Residual Value |

/5 pts

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ACTIVITY ANSWER KEY

Leasing vs. Buying a New Car

CAR PAYMENT PROS AND CONS

Directions: Ask students to share where they placed each point. Use the completed chart below to verify correct placements. As each answer is confirmed, re-create the chart on the board. After all answers are reviewed, use the scenarios on page 2 to guide further discussion.

LEASING		vs.	FINANCING	
PROS	CONS		PROS	CONS
FLEXIBILITY	EARLY TERMINATION COSTS		UNLIMITED MILEAGE	MAINTENANCE COSTS
FREQUENT UPGRADES	WEAR-AND-TEAR FEES		LONG-TERM SAVINGS	HIGHER MONTHLY PAYMENTS
WARRANTY COVERAGE	NO EQUITY BUILDING		OWNERSHIP AND EQUITY	DEPRECIATION RISK
LOWER MONTHLY PAYMENTS	MILEAGE RESTRICTIONS		CUSTOMIZATION	RISK OF NEGATIVE EQUITY



ACTIVITY ANSWER KEY

Leasing vs. Buying a New Car

CAR PAYMENT PROS AND CONS

SCENARIOS

Read each scenario aloud and ask students to consider how financial situations and personal preferences influence the decision to lease or finance a vehicle. Remind students that, for this lesson, the focus is on new cars only.

Scenario 1:

Sarah is a college student with a part-time job and a limited budget. She needs a car to get to work and classes but doesn't want to worry about unexpected repair costs. She also doesn't plan to keep the same car for more than a few years.

- Would leasing or financing be a better option for Sarah? Why?
- What factors should she consider before making her decision?

Scenario 2:

Alex has a stable job and wants a reliable car that he can drive for many years. He doesn't mind higher monthly payments if it means he will eventually own the car outright. He also drives long distances for work.

- Would leasing or financing be a better option for Alex? Why?
- How might the mileage limit in a lease influence his decision?

Scenario 3:

Heather loves driving the latest models with new technology and safety features. She doesn't want to worry about selling or trading in a car later, but she does have a steady income that allows for monthly payments.

- Would leasing or financing be a better option for Heather? Why?
- What are the potential costs and benefits of upgrading to a new car every few years?



QUIZ ANSWER KEY

Leasing vs. Buying a New Car

MULTIPLE CHOICE

Directions: **CIRCLE** the best possible answer for each question.

1. Which of the following is true about leasing and buying?
 - a. Leasing is always cheaper than buying
 - b. Buying a car prevents it from depreciating in value
 - c. Leasing has no restrictions on mileage
 - ☒ d. Buying allows you to build equity, while leasing does not
2. If you drive well above the average lease mileage per year and plan to keep a car long-term, which option is typically more cost-effective?
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 - ☒ b. Buying a new car and keeping it for its lifespan
 - c. Renting a car whenever needed
 - d. Leasing a used car

/2 pts

MATCHING

Directions: Match each term to its description by writing the corresponding letter in the blank.

- | | | |
|-----------------|---|-------------------|
| <u> D </u> 3. | The amount paid upfront to reduce loan or lease payments | A. Depreciation |
| <u> A </u> 4. | The amount by which a car's value decreases over time | B. Lease Term |
| <u> B </u> 5. | The contract length for a car lease | C. Interest Rate |
| <u> E </u> 6. | The estimated value of a car at the end of a lease or loan term | D. Down Payment |
| <u> C </u> 7. | Monthly cost of borrowing money for a car loan | E. Residual Value |

/5 pts