

Vehicle Budget Example

Should You Purchase a Vehicle?

Susan is a second-year student at a university in London. She would like to buy a used vehicle for approximately \$10,000. She used \$2,000 of her own savings and has obtained, with the help of her mother, a personal line of credit of \$8,000 at a rate of 6.5%. Her objective is to repay the vehicle in four years. She will have to make monthly payments of \$189.75. Because of interest, the total cost of the vehicle will increase by \$1,108.

Susan will have to make additional regular monthly payments:

Gas: \$35 two times per month = \$70 per month
Insurance: \$1,600 per year = \$133.33 per month
Parking: \$50 per month

In addition, she will have unexpected or irregular expenses:

Oil change: \$35 every 5,000 or 3 months
Licence: \$80 per year
Wear and maintenance (tires, brakes, wipers): \$300 per year

On average, Susan will have to spend \$486.42 per month (\$5,837.04 per year) for four years (\$23,348.16 in four years) in addition to the initial payment of \$2,000.

Evaluate: Do you want to invest this kind of money in a vehicle and risk getting into debt or missing out on the other activities related to student life?