

Money Management: Borrowing

ProjectFAME
Car Loans and Taxes

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Welcome Back!!!

- Let's start with daily activities
 - Logon
 - Open Worklog (Word)
 - Set up and write any opening thoughts
 - Summary of Tuesday
 - Questions???

Diversion: Internet Research

- Evaluate the following sites in worklog:
 - <http://zapatopi.net/treeoctopus/>
 - <http://www.whitehouse.net/>
 - <http://www.whitehouse.gov/>
- Google "internet hoaxes"
 - Click on snopes.com
 - Click on "top scams"

Cars

- Research what car you want to buy
 - AAA
 - Consumer Reports
 - Cars.com
 - Cartalk.com
 - Blue Book
 - Other???

Cars

- First: new or used?
 - Probably used
- Some factors to consider (priority may vary)
 - Safety
 - Reliability
 - Gas mileage
 - Maintenance costs
 - Price

Cars

- Ways to get a car
 - Gift
 - Buy
 - Cash
 - Loan
 - Lease
- **Buy what you can afford**
 - Remember the Michael Jackson wannabe

Cars

- Cost other than purchase price include:
 - Purchase
 - Sales tax
 - License and registration
 - Warrantee
 - Loan fees
 - Ongoing
 - Insurance (monthly, quarterly, semi-annually, annually)
 - Loan payments
 - Gas
 - License and registration
 - Maintenance and repairs
 - Towing - auto club

When you decide on a car

- Always check CARFAX
 - <http://www.carfacts.com/>
 - Ask seller to pay for it
- Get all maintenance records you can
- Have a mechanic check it out
- Don't forget the tires
- Will it pass smog?

Car Loans

- Dealer
 - Does credit check and matches you with third-party lender
 - Usually not the best rate and terms
 - Often negotiated under pressure
 - When you are unlikely to make the best decisions

Car Loans

- On your own
 - Bank or Credit Union
 - Get it in advance
 - May take a few days
 - Allows you time to read the paperwork
 - Usually best rates are from Credit Unions

Car Loans

- APR
 - Will depend on credit check and lender
- Watch out for
 - Prepayment penalties
 - Finance charges
 - Extra fees
 - Variable rates
- **Get it in writing and read fine print**

Some thoughts on taxes

- What are taxes?
 - Fees charged by government on products, activities, or income
- Why do we have taxes?
 - To pay for things for the good of the community, so we can all live and learn together safely

Some Kinds of Taxes

- Income
- Sales
- Property
- Excise (placed on non-essential consumer goods)
- Payroll (social security, Medicare)

Withholding Taxes

- Federal income taxes
- State income taxes
- Payroll taxes
 - Social security tax (6.2% of the first \$102,800 in wages)
 - Medicare tax (1.45% of wages)
 - Employer's must pay an equal amount of social security and Medicare tax

Deductions From My Pay

- Federal income tax
- State income tax
- Retirement plan
- Social security tax
- Medicare tax
- Health insurance premium (optional)
- Parking Fee (optional)
- Union Dues
- Administrative fee
- My take-home pay is about 58% of my actual salary.

Always Factor in Taxes

- Employment taxes to compute take-home pay
 - Use take-home pay for budgeting
- Sales tax - especially on big purchases
 - Ballpark about 10%

Thanks

- End of my portion of Project FAME
- Thanks for listening!!!
- Questions???
- Have a great lunch!
- PS Don't forget your flash drive!