



## Money Matters Case Study: Jaguar Or Jetta Scenario B

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### *Planned Parenthood*

Courtney left college after 3 years of study in order to marry Sam. Her job helped put Sam through college and, along the way they had two children. Now 25 and recently divorced, Courtney has no debt but she is responsible for two children aged 2 and 4. She has decided that, by working part time and going to college part time, she can finish her degree program in two years. She can do this because her mother has volunteered to help with childcare at no cost.

Courtney will make about \$15,000 per year at her part time job. School will cost about \$10,000 per year, for which she is taking out a loan. Sam pays child support of \$900 per month, which covers the apartment she rents and also her utility bills.

However, Courtney's car is seriously unreliable and she will need another one for her commutes to work, to school, and to her parents. Public transportation in Courtney's town is inadequate for such a schedule. She is looking at a reliable used car costing \$8,000, which of course she doesn't have. She has only \$3,000 in the bank and explains this to the dealer. The dealer tells her that if she can put a down payment of \$3,000 on the car, the dealer will arrange a loan for the rest, at fairly high rates (depending on the length of the loan). The dealer feels Courtney is a risk, and says so.

Courtney's parents, Stan and Alice, would like to help her out but they aren't sure what the best strategy might be. They wonder if the car she has chosen is really within her means, even though it is reasonably priced. They could offer to help each month with \$200 toward the car payments, or they could offer \$1000 towards a down payment on the car. In order to offer any more than that they would have to dip into mutual funds set aside for college for the two grandchildren, whom they adore, or else deplete their personal emergency savings of \$6000. They reasonably refuse to borrow from their retirement accounts, as Stan is over 50 and the couple is approaching retirement with only modest funds. They would gladly lend Courtney a car, except they need both of their cars—Stan to go to work and Alice to take care of the grandchildren.

1. What questions should Stan and Alice be asking Courtney about her plans?
2. What options does Courtney have for purchasing and financing a used car? (This is a research question that you can explore using the Internet.)
3. What will each of these options cost her on a monthly basis? In the long run total? (The spreadsheets included with the car module will help with this question.)

4. How much money will Courtney have to live on during this time and what are her likely expenses? What options can she afford?

In view of these considerations, what various options might Stan and Alice offer, and how will they impact their daughter's budget? What advice should they give Courtney? Prepare a written statement outlining your recommendations to Stan and Alice, along with justification of it