



Money Matters Case Study: Jaguar Or Jetta Scenario A

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A Fresh Start

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 plans to ask her parents for the \$3,000 down payment, which she considers a loan, and also to cosign her car loan to reduce the interest rate. She is also thinking of taking a seven year car loan to reduce her monthly payments, as she believes the car will last that long. She does not want to tell her parents that, when she graduates from college in two years, she plans to enter a two-year nursing program.

1. What options does Courtney have for purchasing and financing a used car? (This is a research question that you can explore using the Internet.)
2. 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.)
3. How much money will Courtney have to live on during this time and what are her likely expenses? What options can she afford?
4. What issues should Courtney be addressing besides the cost of the car loan?

5. What are the pluses and minuses of borrowing money from the parents?

Based on your understanding of these issues and any other relevant considerations, what is Courtney's best strategy at this point, and why? Prepare a written statement outlining your advice to Courtney, along with justification of it.