How to figure out a Monthly Car Payment for “Dummies”

Follow the instructions bellow to fill out the boxes for your buying a car example:

1. How to find what to write in the tax box:
   1. Take the PURCHASE PRICE and multiply by the tax rate (this is written next to the word tax – so 7% - but remember how you write a % as a decimal!!)
2. How to find what to write in the Loan Amount box:
   1. Take what is written in the PURCHASE PRICE box and add it to what you wrote in the TAX box.
3. How to find what to write in the interest box:
   1. Take what you wrote in the LOAN AMOUNT box and multiply it by what is written in the interest rate box (remember how you write percentages as a decimal!) THEN you need to multiply that number by THE TIME OF THE LOAN WHICH IS THE NUMBER OF YEARS AT THE TOP OF THE COLUMN (so either 3, 4, or 5 years)
   2. The numbers for TAX and Loan Amount will be the same for all the rows at the top – BUT NOT FOR INTEREST OR ANYTHING AFTER THAT!!
4. How you find what to write in the Total Cost box:
   1. Take what you wrote in the LOAN AMOUNT box and add it to what you wrote in the INTEREST box for only its respective column.
5. How to figure out what to write in the number of months box:
   1. I feel like I should not need to explain this….but, how many months are in 3 years? 4 years? 5 years? (you should multiply by 12)
6. How to figure out what to write in the Monthly car payment box:
   1. You take what you wrote in the TOTAL COST box and divide by what you wrote in the NUMBER OF MONTHS box. This tell you what your monthly payment would be

Do this for all 6 examples using the different interest rates given and the different number of years spreading out the loan. What do you notice about the monthly payments with the different number of years and interest rates? What payment would you chose for each car? Why?