Name:

Financing Risks

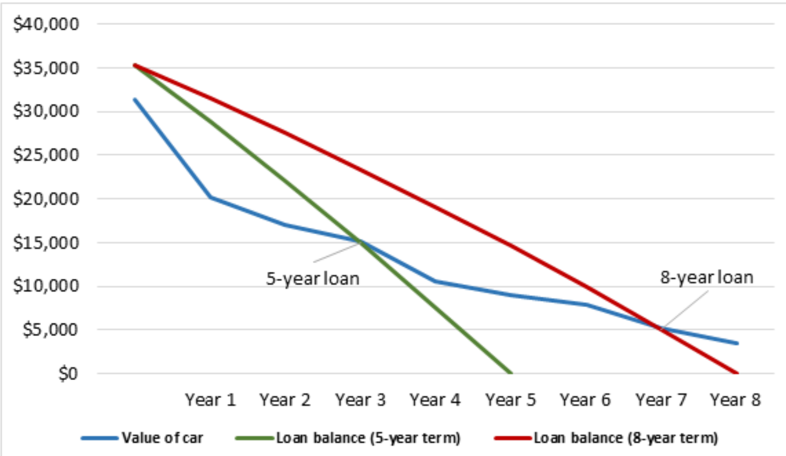
Visit the website https://www.canada.ca/en/financial-consumer-agency/services/loans/financing-car/risks.html to answer the following questions:

What does the term “negative equity” mean? When your car is worth less than the amount you owe on your car loan

How much value does a vehicle typically lose after 1 year? 25%

How much does the value typically decrease each year after that? 15% to 25%

Look at the chart, **Graph: Negative equity comparison on a $31,300 car with a 4% interest rate.**



With an 8-year loan, at what point will the amount owing and the value of the vehicle be equal? Year 7

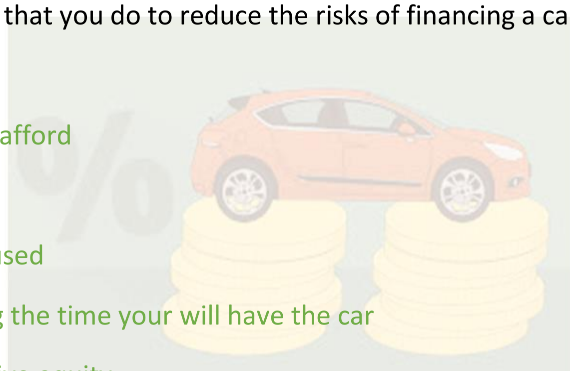
When will that occur with a 5-year loan? Year 3

What is the financial risk you will face if you get in an accident before you get to a point where your equity is balanced?

What are the pros and cons of long term financing:

Pros	Cons
- You may have lower regular payments	- May buy more than you can afford - Pay more interest - Lose money if you trade it in early

What does the website recommend that you do to reduce the risks of financing a car?



1. buy a car you can afford

2. choose the shortest loan you can afford

3. pay some money up front

4. consider whether to buy new or used

5. consider your future needs during the time your will have the car

6. don’t trade it in if you have negative equity