

Financing Risks

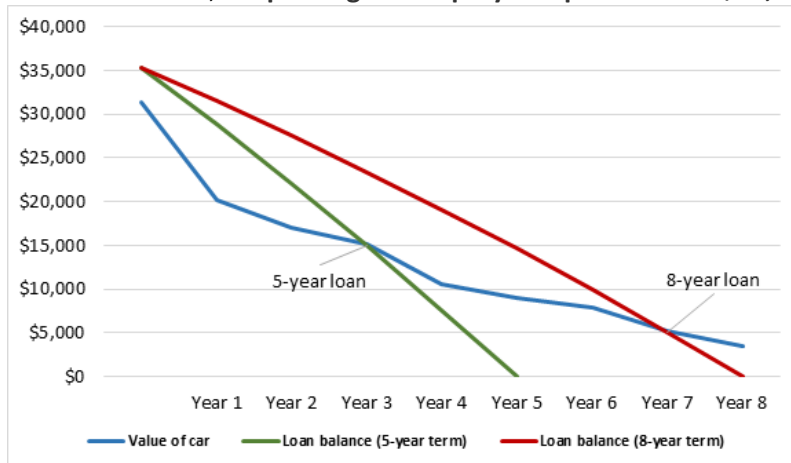
Visit the website <https://www.canada.ca/en/financial-consumer-agency/services/loans/financing-car/risks.html> to answer the following questions:

What does the term “negative equity” mean?

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

How much does the value typically decrease each year after that?

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?

When will that occur with a 5-year loan?

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

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

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

