Buying vs. Leasing

What is Buying?

- Buying a car is when you pay cash for a car and own the car immediately, or you pay a down payment and a monthly payment to later own the vehicle

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What is Leasing?

- Leasing is when you rent a car from a dealer for usually 24-48 months.
- Price is determined by the difference between the purchase price and the predetermined value of the car at the end of the lease period.

In a nutshell, leasing makes it easier to get more car for less money. This is because you only pay for the value of the car that you drive, instead of buying and owning the entire worth of the vehicle.

The Skinny on Buying a Car

- Can pay off your auto loan, which eliminates a monthly cost.
- Have the freedom to sell or trade it in whenever.
- Usually costs less than leasing overall, over time.
- It's yours to sell or drive for many years.
- The car's value begins to depreciate as soon as you drive it.

The Skinny on Buying a Car

- Cars are the classic example of a depreciating asset. The minute you drive a new car off the lot, its value drops by about 20% and it will never again be worth what you paid for it.

The Skinny on Leasing a Car

- Costs less up front and each month, so you can afford a more expensive car.
- If you always lease, you'll always make car payments.
- A lease contract is difficult and expensive to break.
- You can get a tax break if you use the car for business purposes.
- Can upgrade to the newest model every couple of years.

The Skinny on Leasing a Car

- If you return the car in anything less than impeccable condition or drive more than your annual mile allowance, you'll be hit with fees.

If Money is a Problem, Lease

- The short term cost of leasing is significantly less than buying
- The medium-term cost of leasing is about the same as buying
- The long-term cost of leasing is always more than the cost of buying.

Just a few Things to Help You Decide Which is Right for You

- Lease if:
- You like to have a new car every 2-4 years
- Don't like to be bothered with repairs
- You know you will keep the car for the full term
- You are self-employed and can write it off at the end of the year

- You want to drive a nicer car than you can afford to buy
- You don't have the money for a down payment
- You have good credit

Finance/Buy if:

- You don’t mind driving the same car for many years
- You think you may have to give up the car unexpectedly
- You are buying a car for personal use
- You want to build equity
- Your credit is poor