

## **Should You Buy or Lease Your Next Vehicle?**

Some people have never owned a car in their whole life. Instead, they lease their vehicles and are quite happy doing so. On the other hand, many people never seriously consider leasing a car. For them, buying is the only option. So when you need a new set of wheels, what makes the most sense for you?

First of all, let's quickly define terms. When you buy a new car, you make a down payment and finance the remainder. After you've finished making all your payments, the car is yours. Leasing a car, on the other hand, is more like renting it. The car never becomes yours ... unless your contract includes an option that allows you to purchase the car at the end of your lease.

So which approach is preferable? Here are a few advantages and disadvantages of each to help you choose between leasing and buying your next new car.

### **The Advantages of Leasing**

1. Your down payment is usually less on a lease than on a car you would purchase. In some cases, it's a lot less!
2. Your monthly payments on a leased car are usually far less than what you'd owe each month in car payments.
3. Your maintenance costs would be negligible because the typical lease is for three years, and most repairs are covered by factory warranties during that time.
4. You will save on sales tax because it is only paid on the portion you finance.
5. You'll be able to drive a new car every few years.
6. You'll never have to go through the trouble or the expense of selling the car. You simply turn it in at the end of the lease period.

### **The Advantages of Buying**

1. You can customize your car and do what you want with it. It's your car, after all!
2. Unlike the monthly payments you make with a lease, you will eventually pay off the loan, and the car will be yours.
3. You are free to sell the car whenever you wish.

### **The Disadvantages of Leasing**

1. While you will pay less each month than if you bought the car outright, you never

actually gain any equity in the vehicle. If you choose to buy the car at the end of the lease period, you will pay far more than if you just bought the car in the first place.

2. Leases can also be restrictive. For example, you will have to pay an extra charge if you exceed your yearly mileage limit. You also need to take good care of the car. Even minor damage will be considered "wear and tear", and you'll be charged for that.

3. If your financial situation changes and you are having difficulties making your monthly payments, you will probably be unable to get out of your lease early without facing hefty penalties.

### **The Disadvantages of Buying**

1. You will need to make a substantial down payment.

2. Your monthly payments will also be greater than if you had leased the car.

3. When your warranty runs out, you are responsible all maintenance costs.

4. Though you have the freedom to sell your car at any time, you will have to bear the financial cost and hassle of selling it.

5. New cars depreciate rather quickly, so it is not a good investment. In fact, your brand new car becomes a used car the instant you drive it off the lot.