

Your New Vehicle: Should You Buy or Lease?

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BUY OR LEASE? It's been a legitimate and puzzling question for prospective new car owners for more than a half century. There are good reasons to go either direction. Whether you buy or lease will depend on how you are going to use your new vehicle — and that will involve looking at several different issues.

Here are some thoughts on the most common issues to consider when you're en route to your next new personal car, truck or SUV:

Miles. If you only use the vehicle for short trips and drive fewer than 12,000 miles a year, then leasing could suit you. That's because leasing contracts typically restrict you to 12,000 miles a year. Excess mileage is typically charged at 15 cents a mile, payable at the end of the lease. However, keep in mind that if you're buying, the more miles you drive, the faster the vehicle depreciates, reducing its value.

Wear and tear. Are you hard on a vehicle? When leasing, you're expected to turn the car in at the end with very little wear and tear, inside and out. If you live in a rugged environment, have young children or are not finicky about caring for your car, consider buying because when you turn a vehicle in at the end of a lease, you'll be charged for damages such as dents, carpet stains and upholstery tears. You're better off buying if you don't want to worry about life taking its toll on your vehicle.

You're also better off buying if you like to modify or customize your vehicle with such items as decals, trailer hitches and bike racks.

Turnover. How long do you like to keep a car? If you prefer a new car every few years, leasing might be more suitable for you. It will also likely be under warranty throughout your lease term, so you'll be covered for major repairs. As well, if you don't like negotiating the sale or trade-in for your vehicle when you're ready for a new one, leasing might be better for you. You simply turn it in at the end of the lease.

If you are more of a buy-and-hold owner who likes to keep your car longer than five years, buying is for you. Your costs for repairs and maintenance will increase over time, but are typically less than a monthly payment.

Budget. Leases typically require a lower down payment than buying and substantially lower monthly payments. Buying typically involves negotiating the down payment, and



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higher monthly payments, based on the terms of the financing. Rates can vary greatly, depending on where you finance. Try a credit union, but sometimes the dealerships offer promotional, low-interest-rate financing.

If you're focused on the monthly payment amount as your most important consideration — mileage, wear and tear, and emotional bonding with your vehicle aren't as important — leasing can help you get more car for the money in the short term.

Other budget concerns:

- With a lease, because you don't own the car, there is no trade-in or resale value. When you buy a car, you own an asset with value, typically the difference between what you still owe and what the car is worth. Just like you can be "upside down" on a lease, it's possible to owe more on a car than it is worth when you try to sell it or trade it in.
- When you lease a vehicle, you may be required to have more insurance coverage than if you bought it. Buy affords you more flexibility in choosing the coverage you want.

Taxes. The tax laws pertaining to business use of a vehicle, and the deductibility or depreciation thereof, are complex. Each situation is unique, depending on type of vehicle, business versus personal mileage, and other factors. Business owners or individuals who are self-employed should consult their CPA prior to purchasing or leasing a vehicle that they will use, at least partially, in the conduct of their business.

Whether you buy or lease, be sure to read the fine print. Leasing in particular comes with multiple restrictions and what-ifs, so don't sign up before you have all the details.

LEASING vs. BUYING	
Factors That Encourage Leasing	Factors That Encourage Buying
Drive fewer than 12,000 miles a year	Drive more than 12,000 miles a year
Easy on the interior and exterior	Live in damage-prone environment
Get a new car every 3-5 years	Potential interior damage from kids, etc.
Lower monthly payments	Intend to keep car more than 3-5 years
No end-of-deal sale or trade-in hassle	Trade higher monthly payments for years with no car payments
	Like to haggle at sale or trade-in time

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