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Buy or Lease?

Itâ€™s the classic dilemma that faces every auto-consumer out there: Pay

cash upfront or forego the ownership and pay monthly settlements instead?

Buy or lease for a new set of wheels?

As is the case with every other common dilemma, there is no slam-dunk

answer. Each option has its own benefits and drawbacks, and it all depends on a set of financial and personal considerations.

First, your finances. Affordability is clearly key, and you need to ask the question of how stable is your job and how healthy is your general

financial situation. The short-term monthly-cost of leasing is significantly lower than the monthly payments when buying: you only pay for â€œthe portionâ€• of the vehicleâ€™s cost that you use up during time you drive it.

If you have a lot of cash upfront, then you can opt to pay the down

payment, sales taxes - in cash or rolled into a loan - and the interest

rate determined by your loan company. Buying effectively gives you

ownership of the car and that feeling of â€œfree drivingâ€• that goes on

providing transportation.

If, say, you want to get into luxury models but canâ€™t afford the upfront

cash of purchasing the vehicle than youâ€™re a good candidate for leasing.

Unlike buying, it gives you the option of not having to fork out the down

payment upfront, leaving you to pay a lower money factor that is generally similar to the interest rate on a financing loan. However, these benefits

have a price: terminating a lease early or defaulting on your monthly lease payments will result in stiff financial penalties and can ruin your credit.

You need to make sure you carve out the monthly lease payment in your

budget for the foreseeable future, at least for the duration of the lease.

Besides the financial aspect, making a buy or lease decision depends on

your own particular lifestyle choices and preferences. Think about what the car means to you: are you the sort of person to bond with the car or would you rather have the excitement of something new? If you want to drive a car for more than fives years, negotiate carefully and buy the car you like. If, on the other hand, you donâ€™t like the idea of ownership and prefer to drive a new car every two to three years then you should lease. Next, factor your transportation needs: How many miles do you drive a year?

How properly do you maintain your cars? If you answer is: â€œI drive 40,000

miles a year and I donâ€™t really care much about my cars as I donâ€™t mind

dealing with repair billsâ€•, then youâ€™re probably better off buying. Leasing is based on the assumption of limited-mileage, usually no more than 12,000 to 15,000 miles a year, and wear-and-tear considerations. Unless you can keep within the prescribed mileage limits and keep the car in a good condition at the end of your lease, you might incur hefty end-of-lease costs.

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