PAYMENTS
CUSTOMIZATION
MILEAGE
MAINTENANCE & WEAR AND TEAR
OWNERSHIP
DEPRECIATION

Like any tangible asset, a new car will depreciate over time. In the first year alone, the car will depreciate 15% to 20% and then it will lose 10% of its value annually.

Even though these cars are identical, the methods to pay for them are very different. The decision to lease or to buy a new car will have an impact on your monthly payments and the potential resale value of the vehicle.

THE BASICS OF LEASING

Leasing is sort of like renting a car for a set amount of time. When you lease, you are agreeing to pay for the use of the vehicle during the term of your lease, plus interest; you may also be required to pay an acquisition fee and leave a security deposit for a leased vehicle.

THE BASICS OF FINANCING

When you finance a car through a loan, you will pay a fixed amount each month for the duration of the loan term, plus interest. You may also be required to pay an origination fee and leave a security deposit for a purchased vehicle.

PROS AND CONS

Leasing vs. Buying

A NEW CAR

Sources: Bankrate, Edmunds.com, LeaseCompare.com, LeaseGuide.com, MSN Money

THE SAME BUT DIFFERENT

Two to four years

Leasing

Pros

- You don't own the vehicle— you can choose to purchase the vehicle at the end of the term
- Mileage limits are not a concern
- Leasing allows you to drive a new car
- Leasing can allow you to drive a new car every three years
- You can change the make and model

Cons

- You won't have any equity when you sell or trade in your car
- Services and repairs are your responsibility
- If you exceed the mileage limit, you will be charged

Buying

Pros

- You own the vehicle
- You're on your own for maintenance costs, repairs, and modifications
- If you're into cosmetic or engineering tweaks, you can do so
- A leased car can only be modified with approved accessories
- Leasing is sort of like renting a car for a fixed term—typically two to four years

Cons

- If you drive more than the average of $3,400 per year, you could rack up to $1,200 a year in mileage fees
- You are responsible for all maintenance costs
- You can only drive your car to your next vehicle

SAMPLE COMPARISON

Leasing

Lease-end residual value $10,000.00 N/A
Title and registration $315.00 $315.00
Taxes N/A $1,050.00
Interest rate 4.0% 4.0%
MSN Money

Total cost to own $21,315.00 $22,365.00
Term 48 months 48 months
Title and registration $315.00 $315.00
Taxes N/A $1,050.00
Interest rate 4.0% 4.0%

Bankrate

Total cost to own $24,640.00 $24,240.00
Title and registration $315.00 $315.00
Taxes N/A $1,050.00
Interest rate 4.0% 4.0%

THE BASICS OF LEASING

Financing a car through an auto loan is like buying a car for a fixed term, plus interest. What's left is known as the depreciated value of the vehicle.

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