

# Buy or Lease a New Car



Maybe that trusty old pick-up is on its last mile or the realization has finally sunk in that no matter how hard you try, another car seat just won't fit. It's time for a new car.

There are a lot of questions that go into the hunt for that next vehicle. Make/model? New or used? Color? Another big question is how you want to purchase that vehicle.

## Is it better to buy or lease a car?

When you **buy a car, it's yours.**

When you **lease a vehicle, it's like renting.**

Your payment allows you to use the car, but you don't own it and must return the vehicle when your lease contract is up. Many leases have the option of being able to payout the remainder of the lease if you'd like to keep the vehicle.

### How much can you afford in monthly payments?

**Lease payments are usually lower** than loan payments, because you are paying for the vehicle's depreciation plus interest, taxes, and fees.

**Loan payments are usually higher** because you pay off the entire purchase price plus the interest, taxes, and fees.

### Do you need flexibility?

When you **buy a car, it's yours to do with what you want.** You can change it to match your style, sell it when you'd like, etc.

With a **lease**, **any customizations would have to be removed**, and if you need to end your lease early, you may end up with additional high fees. However, another benefit of a lease is the ability to trade it on for a new car every couple of years.

### **Will you be traveling?**

When you **purchase** a car, it's yours to travel as you wish.

Most **leases limit the number of miles you drive to 12,000 to 15,000 per year**. If you plan on traveling more than that, you'd need to pay extra or negotiate at the beginning of your contract.

### **What are the benefits of buying a car?**

Go ahead and add those fancy rims or upgraded audio system; the car is **yours to customize!**

**You will own the car.** Depreciation on your vehicle is usually a reason to buy used instead of new. Certain brands depreciate at a lower rate and have stronger resale values because of their quality and reliability records.

Buying a car gives you **more flexibility**. While a leased vehicle may initially cost less per month, the cost of returning it to its original condition could actually end up costing you more (with no vehicle to show for it!). When you buy a car, **you aren't committed to mileage limits or the penalties for ending a lease early.**

### **What kind of car loan term should I choose?**

When deciding on length of your loan, remember **the longer the "term," the more interest you'll end up paying**. The total interest you pay is higher because typically long-term loans have a higher interest rate, and you may end up paying less principle with each payment.

So, while a longer loan term may mean a lower monthly payment, much of that could be going to interest, not principle.

### **What are the benefits of leasing a car?**

1. Lease **payments are usually lower** than loan payments.
2. You're always driving a "new" car since you **trade in every few years**.
3. Most leases have an **option to buy** the car at the end of your lease (and we happen to know a financial institution that can help fund these lease "buyouts").

## How long can you lease a car?

Car leases are considered **long-term leases**, meaning they're more than 24 months.

The average car lease is 3 – 4 years, which typically makes the monthly payment lower than the monthly loan payment would be if you were buying the same car. Lower payments make a long-term lease an attractive option for many.

## What are the disadvantages of leasing a car?

1. You **don't own the vehicle** and must return it when the lease is up
2. If you customize a leased vehicle, you will need to **return it to its original state**
3. Any repairs must be made before you can return a leased vehicle
4. Ending a lease **contract early can include high fees**
5. Most leases have a **limit on mileage** (between 12,000 and 15,000 per year)

**Still running the numbers?** Use the [auto calculator](#) to figure out details like monthly payments, how much you should put down, what different loan terms look like and more.