Compare Buying Versus Leasing a Car

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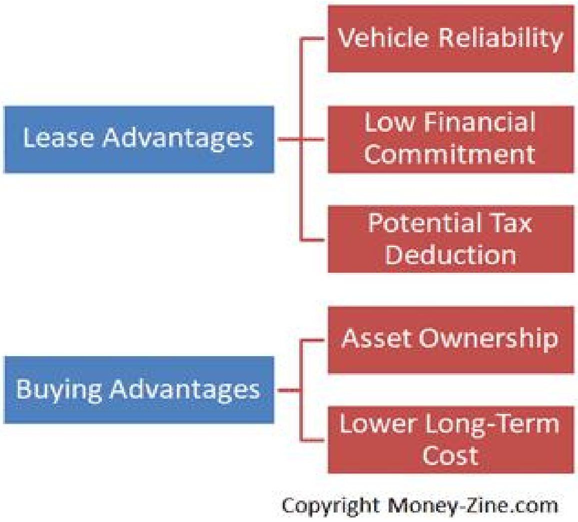
***Abstract* - For most people buying a car (especially a new car) is the second most expensive type of purchase they will make in their lives (buying a house is usually the most expensive). Going about buying a car involves some big decisions, decisions that buyers should be informed about before they take the plunge. You and a dealer enter into a contract where you buy a car and also agree to pay, over a period of time, the amount financed plus a finance charge. The dealer typically sells the contract to a bank, finance company or credit union that services the account and collects your payments. A lease is basically a long-term vehicle rental agreement, which offers exclusive use of a car for an agreed length of time (and mileage) at a fixed monthly rate. With the changing trends in the automotive market, automotive manufacturers are coming up with new trends in order to promote sales of the new and already existing vehicles. From offering discounts, providing additional benefits and doing every single thing they can to promote vehicle sales, automotive manufacturers have now come up with a new trend that is slowly gaining popularity in India. In today's featured, we will take a look at automakers' new move of providing the cars on a lease basis. Car leasing is a cost-effective way of driving a brand new car without the hefty expenditure associated with purchasing. A car lease lets you drive a new vehicle without paying a large sum of cash or taking out a loan. To lease a car, you simply make a small down payment less than the typical 20% of a car's value you'd pay to buy followed by monthly payments for the term of the lease. When the term expires, you return the car.**

***keywords* - Buying a Car, Leasing a Car**

Do You Really Need a Car

Before you start, however, it's a good idea to ask yourself whether you really need a car. If you already have a car and just think it's time to get a new (or newer) one, be sure that the purchase is wise and smart and really makes sense before proceeding.

- Is there anything else you could do with the money that would provide you with more value?
- If you're borrowing in order to pay for the car (as most car buyers do), do you really want to go into debt (or further into debt) in order to get a better vehicle?

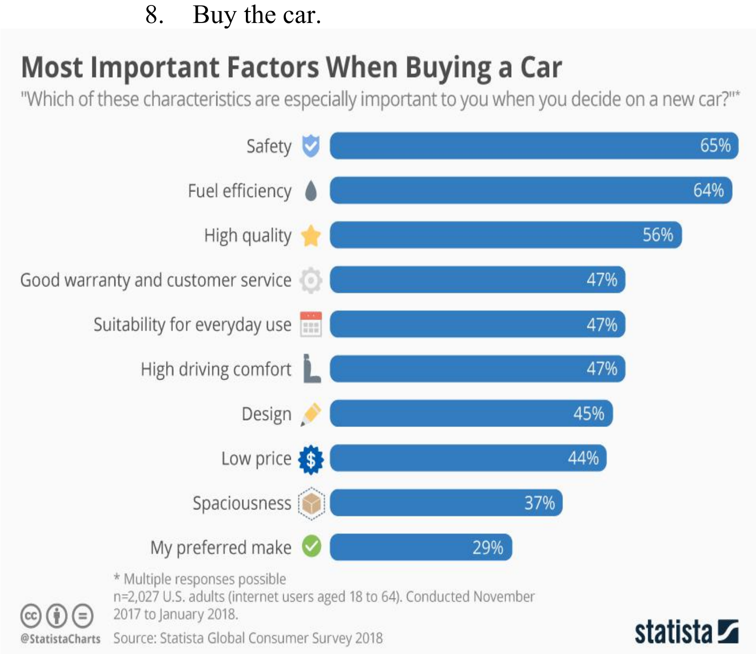


	Buy	Lease
Money	Costs more up front and each month.	Costs less up front and each month.
Bills	Can pay off your auto loan, which eliminates a monthly cost.	If you always lease you will always make car payments.
Commitment	Can sell or trade it in whenever.	Lease contracts can be expensive and hard to break.
Time	Can sell it whenever you want, or keep it for years.	Can upgrade to the newest model every couple of years.
Mileage	Never have to worry about mileage.	Can't exceed the lease mileage terms -typically about 12,000 to 15,000 miles per year.
Big Picture	Can cost less than leasing overall, over time.	Repairs cost less because you are always under the vehicle's factory warranty.

Steps to Follow in Buying a Car

Once you've decided that you definitely want to buy a car and you have an idea of your budget, you should follow these 7 steps:

1. Decide whether to get a new or used car.
2. Decide whether to buy or lease.
3. Arrange for financing, if necessary.
4. Research your options.
5. Conduct test drives.
6. Decide where you'll buy the car.
7. Car body colour
8. Buy the car.



How Much Can You Afford to Spend

Before deciding how much you want to spend on the car, first determine how much you can afford to spend. This calculation will depend on your overall financial condition, which you can determine by putting together a budget . Also factor in the estimated value of a trade-in, if you have one.

When calculating the cost of the car, include not just the purchase price, but all of the associated and ongoing costs: property taxes, insurance, repairs, gas, oil changes, parking meters, tolls, registration, and other miscellaneous expenses.

Most people spend 10-15% of their total monthly budget on all their car-related expenses, but we recommend aiming for 10% or below unless there's a good reason to do otherwise.

Should You Buy A Car Or Lease it

The correct answer for your situation can't be generalized because it depends on your individual needs and circumstances.

There are several advantages and disadvantages to both leasing and buying. It is important that you carefully assess your needs and your financial situation before making a decision.
Compare the costs of leasing vs. buying using this Lease vs. Buy Car Calculator and see which strategy works best for your situation. The calculator will reveal all the expenses associated with each option, including your total costs and an average cost per year. Once you've decided to get a car, be sure that you understand that the car is NOT an investment.

Assess Your Needs

When making a decision to buy or lease a car, start by evaluating your needs. Review your budget and calculate how much you can afford to pay every month (try out the Budget Calculator). The following questions will guide you in evaluating your situation:

1. Do you have enough money to make the down payment?
2. Is the car you want to drive too expensive for your budget?
3. Are you looking for a car with a very low monthly payment?
4. How often do you replace your car?
5. What are your driving habits?
6. Do you intend to use your car for long distance trips?
7. Do you worry about the resale value of your car?
8. Do you trust the company where you will be leasing the car?

Once you've answered these questions, take a look at the pros and cons of leasing and buying a car.

Pros of Buying a Car

1. If you can afford to buy a car outright, it's usually a good idea. The Lease vs. Buy Car Calculator will help you make the best decision for your individual circumstances.
2. Your driving habits are another factor – if you drive more than 12,000 to 15,000 miles per year it may be best to buy a car because the higher mileage will increase the cost of a lease.
3. If you don't mind owning a vehicle for a long period of time, buying is advantageous – much like owning a home.
4. You'll have ownership of your car
5. You can drive as many miles as you'd like
6. You can customize your vehicle any way you like
7. You can build up trade-in or resale value
8. You have the option of driving your car for years to spread out the cost
9. There is no risk of possible lease-end charges

Ah, the ability to do whatever you want whenever you want with your vehicle, without the fear of additional fees -- it is a great feeling. When you own your car, you can drive as much as you want and customize to your heart's content: you own your vehicle. As long as you are committed to driving your vehicle for an extended amount of time and have adequate car insurance coverage, you are unlikely to lose out financially, as long as you make a sufficient down-payment and perform proper maintenance.

Cons Of Buying A Car

1. Financing a car may require a large down payment – including the debt to go along with it. Because many consumers use a 60-month loan term you have the advantage of owning your car without payments after 5 years.
2. One major disadvantage of buying a car is you'll have to shoulder the cost of major repairs when they are needed.
3. Another disadvantage is depreciation – the decreasing value of your car over time.
4. If you prefer driving new cars with low mileage every year then leasing can be advantageous.
5. You'll have higher monthly payments than a lease
6. You'll have unexpected post-warranty repair costs
7. You'll be responsible for trading or selling your used car if you want a different one

Car Insurance: An Important Factor, No Matter Which Option You Choose
Did you think that leasing a vehicle would exempt you from purchasing auto insurance? As you can see from the above, you were wrong! You'll often have to buy a much more boutique policy if you lease a vehicle than you would if you purchased a vehicle and opted to purchase your state's_minimum liability coverage (though you can only do that if you own your car outright). Regardless of whether you decide to lease or buy a car, it's vital that you consult a reputable insurance provider or insurance agent to figure out the type of coverage that's best for you.

Pros of Leasing a Car

Leasing is simply a way to rent a car. The problem is many consumers lease vehicles they otherwise could not afford to buy. Let's take a look at some of the pros of leasing a car:

1. Leasing a car gives you the luxury of driving a new and different car model every few years when your lease term ends.
2. You don't need to worry about major car repairs since the leased vehicle will remain under warranty by the leasing company.
3. In some instances, the monthly car leasing payment is cheaper than the monthly loan payments for buying a new car.

4. The sales tax you pay for leasing will be low compared to buying a new car.
5. You'll typically have lower monthly payments than an auto loan
6. You'll get to experience the excitement that comes with driving a new car every two or three years
7. You're always protected by a warranty
8. You don't have to worry about trading or selling your car later on

If you're looking to keep your monthly expenses low, a lease might be a good option for you. A typical car lease payment can be up to 60% lower than your monthly payments would be if you were purchasing the same vehicle and financing it with a traditional personal auto loan.

The warranty is also a huge plus: it can be incredibly frustrating when your newly purchased car has a major mechanical problem shortly after the warranty runs out and you don't have comprehensive coverage. With a lease, you never have to worry about anything happening to your vehicle: No matter what, you'll be covered.

You also don't have to go through the stressful, costly, and time-consuming process of selling your vehicle and haggling over the price. Cars depreciate quickly, and they're hardly an investment unless you've purchased a rare or classic car: Leave the hassle of dealing with a depreciating asset.

Cons Of Leasing a Car

Leasing isn't all good news though. Here are some of the downsides:

1. In some markets, leasing is more expensive and the initial payments are high. In this case, you need to shop around to get the best deal.
2. The cost to pre-terminate the lease can be very expensive. Before you lease a car, make sure you can afford the payments over the term of the arrangement.
3. There are mileage restrictions in car leasing. Therefore, if you regularly drive long distances that exceed the mileage limit then you will end up paying more for your lease.
4. You cannot modify or change the car to suit your personal needs since you don't actually own it.
5. You must have a stable and predictable source of income
6. You can only drive a set number of miles throughout your lease term
7. You must consistently and properly maintain your car
8. In most cases, you must purchase gap insurance
9. You will likely pay more over the long haul than you would if you had purchased the vehicle.

Making monthly payments constantly during the life of your lease does require a stable and predictable lifestyle – or at least a stable and predictable source of income. When you have a lease, it is harder to get out of the contract than it might be to sell a used vehicle. Leases also have lots of terms you have to meet, or you will have to pay steep fees.

Simple things like driving too many miles or procrastinating on regular maintenance can cost you a lot of extra money. If you do decide to take on the responsibility of a lease, make sure you read the fine print!

It's also important to realize that because having a lease has a lot of great perks, you'll often pay more in the long run for a comparable vehicle if you lease it rather than buying it. While selling a vehicle is seldom a money-making operation, you'll at least get something in return for your vehicle rather than driving (or walking) away with nothing once your lease is up.

Final thoughts about whether to buy or lease a car

The best decision for you will depend on your financial status, driving habits, and reasons for needing a vehicle.

The first step before making a decision to buy or lease a vehicle is to evaluate your needs and long-term plans. It really boils down to your personal preferences relative to what the lease vs. buy car calculator shows as the comparable costs. There is no single right answer that fits everyone's situation.

Remember that car dealerships like to lease cars for a reason: there are financial benefits and typically the customer-loyalty rate is higher. What is good for the dealership is probably not good for you since you are on the opposite side of the transaction.

Calculate which option is best for you using the Lease vs. Buy Car Calculator, and appropriately weigh the risks and rewards of each option.

AUTO LEASE VS. BUY
Comparing the Options

FACTORS	LEASE	BUY
Monthly Payments	Lower monthly payments on newer or expensive car.	Higher monthly payments on newer or expensive car.
Distance	Penalties if over allowances in lease contract.	No penalties (except loss in re-sale value.)
Overall Cost	Higher cost as you are always making payments.	Lower as vehicle gets paid down eventually and build equity.
Maintenance & Repairs	Always under warranty so low to no maintenance bills.	Will run out of warranty and all bills out of pocket.
Equity	Buyout guaranteed with option to buy, typically no equity.	Assume all risk of future value, but pay off over time. Typically build equity over time.
Tax Break	Consistent each year. Best option if anticipating higher income in future years.	Bigger write off in earlier years, with small deductions in future years. Not consistent.
Age of Car	Easy to always drive a newer car without maintenance concerns	Turn over requires selling or trading vehicle with negotiations each time.

* there are some general guidelines only. Consult a tax consultant or CPA for a more detailed analysis

Lease Vs. Buy Car Calculator Terms & Definitions

1. **Lease** – An agreement whereby the party grants the use of property (in this case, a car) or services to another for a specific period time.
2. **Purchase Price** – The total amount you pay for goods (in this case, a car) or services.
3. **Sales Tax Rate** – A tax imposed by the government at the point of sale (in this case, of a vehicle).
4. **Cash Down Payment** – A portion of the amount borrowed or an initial amount charged in a lease.
5. **Security Deposit** – The amount held by the lessor to cover damages caused by the lessee for the rented property.
6. **Rebates** – A portion of the money returned to the buyer due to promotions.
7. **Depreciation Expense** – The reduced value of an asset over time due to aging.
8. **Resale Value** – The market value of the property.
9. **Forgone Interest Earning** – The interest lost if a certain amount of money is invested.
10. **Interest Expense** – The total amount you paid for interest.
11. **Trade-in Allowance** – The amount the dealer agrees to pay for a used, trade-in vehicle, which consumers often apply toward the purchase of a new vehicle.
12. **Fees** – A payment made to a professional person or public body in exchange for advice or services (in this case, leasing or buying related fees).
13. **Interest Rate** – The proportion of a loan that is charged as interest to the borrower, typically expressed as an annual percentage of the loan.

Car/Auto Loan Calculators

1. **Car Payment Calculator:** How much will my monthly car payment be?
2. **Compare Auto Payment Terms:** How much will my auto payments vary for different loan terms?
3. **Compare Car Financing Choices:** Which car financing choice is the best deal?
4. **Car Lease Calculator:** How much will a lease cost me?

5. **Car Cost Calculator:** What is the true cost of ownership and driving for my car? How does the cost of one car compare to another?
6. **Car Rebate vs. Financing Calculator:** Which dealer incentive is the best value – rebate or special financing?
7. **Auto Loan vs. Home Equity Calculator:** Should I buy my next car using a conventional auto loan or home equity line of credit?

Whether you're moving to a city without reliable and affordable mass transportation, starting your first job, or expanding your family, the decision to add a new vehicle to your life is a big one -- and choosing the make and model of your next set of wheels is the easiest part. Paying for a new or used vehicle is one of the most significant expenses individuals and families incur, other than housing costs. If you find the prospect of saving up for the full price of a car upfront or securing an auto loan daunting, you may want to consider leasing a vehicle -- through leasing a car is not for everyone.

Leasing Vs. Buying Car Calculator

The cons of buying a vehicle are minimal and accepted as a typical cost of American life by most people. Leases are cheaper in the short term, but in the long run, purchasing a vehicle is typically less expensive. Weighing the pros and cons will help you come to the decision that is right for you and your family.

Lease vs. Buy Car Calculator

Description	(A) Lease	(B) Buy
1. Purchase price:		
2. Sales tax rate:		
3. Fees:		
4. Cash Down payment:		
5. Net Trade-in allowance:		
>6. Rebates:		
7. Term (in months):		
8. Interest rate (APR):		
9. Monthly payment:		
10. Security deposit:		
11. Estimated resale value:		
12. Annual savings rate:		

13. Year #/% Deprec.	1	2	3	4	5	6	7	8	9	10
	2	1	1	8	6	5	4	3	2	1

Description	(A) Lease:	(B) Buy:
14. Monthly payment:		
15. Total of payments:		
16. Total interest expense:		
17. Net up-front expenses:		
18. Depreciation expense:		
19. Forgone Interest earnings:		
20. Total cost:		
21. Average cost per year:		

Benefits of Leasing a Car

If you want to go this route, then you know the right way on how to lease a car. Here are 6 advantages of leasing a car:

1. **Lower monthly payments**. The cost to lease a car is typically much lower than to buy one. Little or no down payment is required, and you don't have to pay any upfront sales tax. However, when you return a leased vehicle, you may have extra charges for racking up mileage that exceeds the allowable limit, early lease completion, or having any unrepaired damage.

2. **Never being "upside-down."** When you lease a car you rent it for a fixed term, which is typically one to 4 years. The amount you pay each month is tied to the amount of depreciation that's expected during the lease term. (Different makes and models of vehicles depreciate at different rates.) You only pay for the depreciation of the car that occurs during your lease term and you can never be "upside-down," which is a common situation where vehicle owners owe more than their car is worth.
3. **Fewer repair expenses**. If you're covered by a manufacturer warranty during your lease term, you never have to worry about getting hit with a large, unexpected repair bill. However, you are still responsible for regular upkeep, maintenance, and the minimum amount of auto insurance required by the state where you live.
4. **Driving a new car more often.** If you lease a new vehicle every few years, you will always have the benefit of driving a car with the most up-to-date technology, comfort, and safety features.
5. **Never having to sell a vehicle**. Once a "closed-end" lease term expires you can simply return the vehicle or choose to initiate a new lease for a different vehicle. But you never have to go through the hassle of selling a vehicle yourself or being concerned about getting a fair trade-in value. Or you may have the option to buy a vehicle at the end of the lease term for a pre-set price. That could be a good idea if the vehicle is worth more than the agreed upon purchase price—or a bad idea if it is worth less money.
6. **No loan approval required.** If you have less than stellar credit, you may not be approved for a car loan–or you'll have to pay an outrageous amount of interest. Leasing companies typically aren't as strict as lenders because they can easily take back the vehicle if you don't make payments or if you violate any lease term.

Benefits of Buying a Car

Now let's look at some of the benefits of buying a car on finance.

1. **You can borrow 100% of the car's purchase price:** If you need a car urgently you don't have to wait until you've saved all or even part of the money. You can drive off in your new car within the time it takes the dealer to prepare your vehicle and organise the paperwork. If the monthly finance repayment is manageable, then car finance makes a lot of sense.
2. **Car finance can be tax deductible:** If you own a business and the business borrows money to acquire a company car then the finance costs can be tax-deductible. Check with your accountant, but according to the ATO you can claim the interest on the car loan, insurance premiums, repairs, servicing and more.
3. **You can spend the cash on other important things:** Spending a large, lump sum of cash upfront on a car isn't always the best option, especially if you have a family to support or a business to run. You may need that cash for unexpected expenses, like a medical bill or urgent business expenses.
4. **Helps you establish credit:** By making car loan payments on time you establish a finance track record and build good credit. This is very useful for the future if you need finance for other purposes, like a mortgage or business loan.
5. Slow rate of depreciation
6. Lower insurance and registration charges
7. Higher inflation
8. Lower loan amount to be borrowed
9. Depending on which trim package you select, you will get access to the newest and most advanced technologies.
10. Because you're the first driver of a new car, it is typically considered more reliable. Its reliability is also guaranteed by new car factory warranties.
11. Buying new means you'll be able to take advantage of specials and incentives.
12. Most **new vehicles** will have very minimal repairs in the first few years, so that gives the consumer a chance to focus only on the basic service maintenance of the **car**
13. Buying a car can have greater car models selection choice
14. New cars now come with the latest technology, better gas mileage, and lower emissions.
15. Multimedia and navigation interfaces are continually evolving and improving, so if the consumers are specifically looking for a vehicle with all the latest and greatest gadgets, a new car might be the way to go
16. Vehicles are also becoming more fuel efficient, and even picking up some speed too.

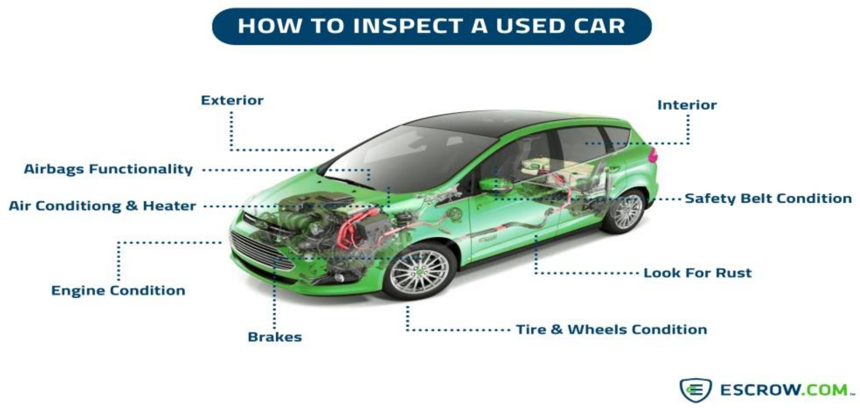
What to Consider When Buying vs. Leasing

Since you asked primarily about which makes the most financial sense, here's how to figure that out and more considerations. As an example, let's look at the cost between buying or leasing a $20,000 car for five years, assuming the same 6% rate on a new car loan (paid off in 3 years) and the lease (two 3-year leases), and driving 12,000 miles a year.

1. **Your monthly cash flow:** Leasing a car often has a lower monthly payment compared to financing a car with the same loan terms, since with a lease you're paying for the depreciation of the car during those years rather than the whole vehicle cost. If you need access to more cash every month, leasing may be more favorable. In our example, the car loan monthly payment is $608 a month; the lease is $350 a month for the first 3-year lease and then $385 a month for the last two years (because a second lease is initiated).
2. **Available savings for a down payment and initial fees:** Most lease agreements have low down payments or you can get the dealer to waive the downpayment, and you'll pay less for the sales tax on a lease as well (the tax is calculated in most states only on the monthly payments, not the total cost of the car). As with the lower downpayment, leasing

has a smaller impact on your budget and cash balance. Example: $3,000 downpayment for the loan versus $2,000 for the lease.

3. **How much you drive:** If you drive a lot—over 10,000 to 15,000 miles, depending on the lease agreement—you'll probably have to pay extra for each mile. Smart Money says that many leasing companies charge 15 to 20 cents a mile for additional miles, but you could pay less (10 cents per mile) if you buy them upfront when you negotiate the lease. If you drove 5,000 miles over the agreement, at 20 cents a mile, that would cost you $1,000.
4. **How hard you are on the car:** If you're prone to getting scratches on your car or have a high risk of damage to it from kids or other hazards, a lease may not be for you, because of the wear-and-tear fees. Wear and tear fees vary and would depend on your agreement, but Lending Tree says these are typically limited to the total of three months' lease payments. If you weren't able to keep the car pristine, three months' payments would be $1,155.
5. **If you drive the car for business:** When you lease, a portion of the car's depreciation and financing costs can be deducted on your taxes. Interest on loans to buy a car, however, aren't deductible. The IRS has a guide for how to calculate the tax deduction for a leased car (there are a lot of calculations based on your business percent use of the car, how much the car costs, and additional expenses related to the car, such as gas and maintenance).
6. **How long you plan on keeping the car and how flexible you need to be:** This is a big consideration, of course, since if you really only want to drive the car for a few years, leasing is the most convenient option. However, you'll pay a lot if you try to get out of the lease before the term is up—as much as six extra months of payments, according to Smart Money. You'll need to be sure you can stick with the terms of your lease.



Overview of Car Finance Options

If you've decided that car finance is the way to go you have a few different options to consider. Here's an overview of each to help you choose the best one for you.

	BUYING	LEASING
Ownership	You own the vehicle and get to keep it as long as you want it.	You don't own the vehicle. You get to use it but must return it at the end of the lease unless you decide to buy it.
Up-Front Costs	They include the cash price or a down payment, taxes, registration, and other fees.	They can include the first month's payment, a refundable security deposit, an acquisition fee, a down payment, taxes, registration, and other fees.
Monthly Payments	Loan payments are usually higher than lease payments because you're paying off the entire purchase price of the vehicle, plus interest and other finance charges, taxes, and fees.	Lease payments are almost always lower than loan payments because you're paying only for the vehicle's depreciation during the lease term, plus interest charges (called rent charges), taxes, and fees.
Early Termination	You can sell or trade in your vehicle at any time. If necessary, money from the sale can be used to pay off any loan balance.	If you end the lease early, charges can be as costly as sticking with the contract. On occasion a dealer may buy the car from the leasing company as a trade-in, letting you off the hook.
Vehicle Return	You'll have to deal with selling or trading in your car when you decide you want a different one.	You return the vehicle at lease-end, pay any end-of-lease costs, and walk away.
Future Value	The vehicle will depreciate, but its cash value is yours to use as you like.	On the plus side, its future value doesn't affect you financially. On the negative side, you don't have any equity in the vehicle.

Mileage	You're free to drive as many miles as you want. But keep in mind that higher mileage lowers the vehicle's trade-in or resale value.	Most leases limit the number of miles you may drive, often 12,000 to 15,000 per year. (You can negotiate a higher mileage limit.) You'll have to pay charges for exceeding your limits.
Excessive Wear and Tear	You don't have to worry about wear and tear, but it could lower the vehicle's trade-in or resale value.	Most leases hold you responsible. You'll have to pay extra charges for exceeding what is considered normal wear and tear.
End of Term	At the end of the loan term, you have no further payments and you have built equity to help pay for your next vehicle.	At the end of the lease (usually two to three years), you can finance the purchase of the car, or lease or buy another.
Customizing	The vehicle is yours to modify or customize as you like, although doing so may void your warranty.	Because you must return the vehicle in salable condition, any modifications or custom parts you add have to be removed. If there is any residual damage, you'll have to pay to have it fixed or you'll need to file an insurance claim and pay a deductible.

Smart Car Finance Options

1. **Personal loan:** Borrow a one-off lump sum and make regular set payments, including interest, to pay it back over time, normally up to 5 years. Can be secured or unsecured. Unsecured personal loans have higher interest rates. You typically have between one to seven years to pay it back.
2. **Car loan:** Similar to personal loans, but the car being purchased acts as security for the loan. If you default on your loan repayments you run the risk of your car being seized. Since it's a secured loan, interest rates can be lower.
3. **Credit card:** If you can stump up some cash, it can be worth paying for the rest on credit card if you have a card with a low rate. Some lenders offer credit cards with a 0% purchase rate for up to 27 months.
4. **Finance lease:** The car is rented to you for an agreed period, and you pay a fixed rental amount and interest rate, as well as maintenance and repairs. Some leases include a purchase option when the lease runs out.
5. **Hire purchase:** A deposit is paid and a monthly hire payment agreed upon. The business uses the car for a certain length of time, then ownership is transferred to you once the final payment is made.
6. **Chattel mortgage:** A lender loans you the money to buy a car, and you own the vehicle from day 1. The loan is secured by the vehicle so interest rates are lower than an unsecured loan.
7. **Novated Lease:** A car that comes as part of a salary package. Your employer deducts payments and vehicle maintenance costs from your pre-tax salary to pay the lender. Tax benefits associated with this type of finance make this an attractive form of finance for businesses with multiple vehicle requirements for their staff.
8. **Operating Lease:** Similar to car rental. You pay for use of the vehicle only. There is no outlay of capital and no risks associated with owning it.

Automakers benefit by leasing a big portion of a car's production. Leases help keep used car supplies steady, which in turn boosts resale values. A high resale value means a vehicle is slower to depreciate, which translates into cheaper leases for that model. That benefits consumers.

Furthermore, when customers return their car at lease-end, it gets those customers into the dealership in person. This is where the dealer has the chance to move them into a new car, which an off-lease customer needs pronto.

The low interest rates that have prevailed elsewhere for the past few years have carried over into lease contracts, which also helps moderate their cost. Interest rates are a critical part of the economics of leasing, because at the end of the day a lease is just another way to finance a car.

Another tactic for boosting a car's resale value is reflected in the low mileage allowance in some new leases: 10,000 miles per year instead of the customary 12,000 to 15,000 miles. That may be fine for people who don't drive much, but the average driver will exceed that figure each year.

We also see a growing number of leases with terms of less than 36 months, which is a mixed blessing. Sure, it looks good to someone who doesn't want to be locked into a long contract. But a car's first two years usually make up the steepest part of the depreciation curve, making for an expensive lease period.

However, it's becoming common in the car-loan market for people to stretch out the loan for seven or eight years, simply to keep the monthly payment under control. Some of those people may be better off leasing.

	6 Year Loan	3 Year Lease
Monthly Payment	$416	$287
Down Payment	$2,000	-
Cash Due at Signing	-	$2,000

Interest Rate	2.9%	0.024% (Money Factor .00001)
Total Paid After 3 Years	$16,976	$12,332
Residual Value After 3 Years		$16,994
Total Paid After 6 Years	$31,952	$24,664 (two leases back to back, including two payments of $2,000 at signing)
Resale Value at Age 6	$9,675	You don't have a car to sell/trade in

Costs of Owning a Car
1. Initial purchase price
2. Financing costs and interest over the life of the loan
3. Registration and title costs
4. Emission inspection (in many states)
5. Sales tax
6. Insurance and warranties
7. Scheduled maintenance
8. Storage or garage spaces (in many cities)

Costs of Operating a Car
1. Gasoline, oil, and fluid
2. Parking and tolls (in many states and cities)
3. Unexpected repairs and maintenance such as tires, windshield breakage, etc.,
4. Tickets speeding, parking close to a hydrant, etc.,

What to Bring When Buying a Car
1. Your driver's license
2. Proof of insurance
3. Form of payment
4. Recent pay stubs
5. Credit score and history
6. Discount information
7. A list of references
8. Current certificate of title

What to Bring to Trade in Your Car
If you're going to trade your current vehicle in when you buy your new car, you'll need a little extra paperwork and preparation to make sure everything goes smoothly. Before heading to the dealer, ask them "what do I need to bring when buying a used car?" Odds are, they'll have you bring these things to streamline your car buying and trading process:Current certificate of title
The dealership should help you prepare to transfer your car's title to them. If you can't locate your title, contact your local DMV to get a duplicate, but be prepared to pay a fee.

1. **Current vehicle registration:** Unless your current car is going to be junked after you trade it, you need to provide the current registration. You should be able to trade it in with expired vehicle registration, but the dealer will probably give you less for it since they'll have to make it current themselves.
2. **A clean vehicle:** You don't have to get the car washed and detailed, but you'll want to pull out all of your personal belongings so you don't get caught up in the deal and forget something that matters to you. You also don't want to be rude to the dealer and hand over a car full of food wrappers and cups, so do them a favor and tidy it up a bit.
3. **Service records:** Have all service and repair information ready, as the dealer will want to know of the vehicle's previous maintenance beyond the vehicle history report they'll pull.

Follow Traffic Safety Rules & Regulations, and Safety Will Serve You Very Well
1. Never Drink & Drive.
2. Always Wear Seat Belt.
3. Keep a **Safe** Distance from the vehicle ahead.
4. Always Avoid Distractions.
5. Never Break Red Signal.
6. Always Drive Within Speed Limit.
7. Avoid the Drowsiness While **Driving**.
8. Watch Out For Drivers On the **Road**.
9. **Keep To Your Left** – Always drive or ride on the left side of the road and let other vehicles overtake you from the right side.
10. **Stay Left When You Turn Left** – When turning towards left, start with approaching the curb from the left-most lane and ensure there's enough distance for oncoming vehicles to pass.

11. **Turn Right** – Come to the centre of the road before you start turning right but when going around the curb, try to stay towards the left-most part of your lane to avoid contact with oncoming traffic.

12. Always Overtake from the right side.
13. When being overtaken by another vehicle, never increase your speed to prevent the other driver from overtaking you.
14. Be extra careful on intersections. Also, when passing through them, ensure your vehicle doesn't cause inconvenience to other road users.
15. **Right of Way-** Always give a right of way to vehicles on intersections by letting them continue without stopping in that particular direction in which you are about to proceed.
16. **Emergency Vehicles** – It is your responsibility to give way to emergency services vehicles such as fire engines and ambulances.
17. Pedestrians have the right of way at pedestrian crossings or zebra crossings.
18. **"U" Turns-** U-turns can only be taken when there is no warning sign nearby you give a proper indication to other vehicle drivers that you are going to take a U turn
19. **Indicators** – Always use indicators to let other road users know about the planned change in the direction of travel. If your vehicle indicators get damaged without any warning, use hand signals
20. **Parking** – Make sure you don't park your vehicle in a way it causes any hurdle or disturbance to any other road users.

21. **Registration** – Your vehicle's registration plate should be visible at all times. In case it is broken or damaged, you need to get it replaced at the earliest. Driving a vehicle with its registration number not being visible is a serious offence.

22. **One way Roads** – Always drive only in the permissible direction on a one-way road. Also, never park your vehicle in reverse on a one way street.
23. **Stop Lines** – Always stop your vehicle behind the stop lines. On roads with no stop lines, make sure your vehicle comes to a halt before the Zebra-crossing.
24. **Towing** – No vehicles should be towed closer to other vehicles on the road. However, vehicles that are mechanically disabled and those confiscated by the police are exceptions to this rule.
25. **Noise** – Drivers should not horn needlessly or excessively or use them in no-honking zones like hospital zones and school zones, etc. Also, one should not drive with non-OEM-spec silencers
26. Traffic Lights and Signs should be always obeyed. One should respect instructions given by a traffic cop when there are no traffic lights available.
27. **Following Distance** – Always keep a safe distance from the vehicle in front of you as this will give you enough time to come to a stop in case the vehicle in front brakes suddenly.
28. **Right of way on Steep Roads** – When going up on an incline, you have the right of way as it might be difficult for you to stop and regain momentum. The vice versa holds true when you're driving downhill.
29. **Obstruction of View** – You should always have a clear view of the road ahead. Therefore, your car's windshield shouldn't have stickers that might obstruct your view.
30. Passing Pedestrians Do not drive at more than 25 km/hr, when you passing a procession, meeting, strike, or a march.
31. **Tractor and Goods Carriages** – It is prohibited to carry passengers on a tractor or a goods carrier
32. **Loading** – Overloading a vehicle is not only dangerous but even illegal. Therefore, one should not carry more than a permissible number of passengers or excessive luggage that the vehicle isn't designed to carry.
33. **Dangerous Materials** – One should not carry explosives, inflammable or harmful substances as they are a fire hazard.
34. **Driving in Reverse** – When driving in reverse, you should make sure you do not cause annoyance to any other people on the road.
35. **Essential Documents** – Always carry the following documents – Driving license, Registration certificate of the vehicle, Insurance certificate, fitness certificate (in case of commercial vehicle), tourist permit (in case of commercial vehicle) and PUC certificate.
36. **Additional Regulations** – In addition to the above, the drivers should be aware of all the road safety rules, such as those of speed limit, one-way streets, etc.
37. Following chart shows the traffic signals chart that we must know:

14. Conclusions and Recommendations

1. When it comes to buying a new car (or any vehicle, for that matter!), you have three options: purchasing it with cash, purchasing it through a loan (also known as financing) or leasing it.
2. For most shoppers, the decision comes down to lease vs finance.
3. **Leasing** a car means you'll usually have access to a new set of cars wheels every few years;
4. **Buying/financing** it likely means that you plan to drive the same car for a much longer period of time.
5. **Leasing** usually includes a warranty that covers most of your repairs
6. **Buying/financing** means accepting larger repair costs, which are inevitable as the car ages.
7. **Leasing** agreements can limit your mileage and your ability to customize your ride
8. **Buying/financing** means you can put as many kilometres as you want on the car and customize it however you'd like.
9. Looking only at the comparisons above, you might conclude that buying a car is a more practical and economical option than leasing a car
10. But if that's really the case, why are monthly lease payments so much lower (often 40% lower!) than monthly loan payments?
11. Why is leasing considered more expensive in the long term if you're paying less on a month-to-month basis?
12. All cars depreciate in value over time, but the steepest drop happens in the first three to five years, as you can see below:
    1. **Brand new to 5 years old** – the car depreciates by 15% to 20% of its value each year
    2. **From 5 years to 10 years** – the rate of depreciation slows slightly to 10% to 15% of its value each year
    3. **10+ years** – the rate of depreciation tends to level out to less than 5% a year. By this time, the car is usually worth less than one-fifth of its retail price!
13. You need to be realistic about your budget and honest about your lifestyle and
14. You need to figure out what's most important to you as a new car owner.
15. How comfortable are you with the limitations set by a lease agreement?
16. You can drive off to work instead of using crowded public transportation or use it for a leisurely weekend getaway.
17. Banks and NBFCs (Non-Banking Financial Companies) offer car loans with easy equated monthly instalments (EMIs), which make it easier to afford a car without disturbing one's budget.
18. In general people choose to buy the car against leasing a car to have the feeling of ownership of the car for long-term.
19. Vehicle buying is a big decision and carries a lot of research and responsibility
20. However, if done right, you will save money, time, and end up with a wonderful vehicle
21. Insuring that you have all the information you need is very important.
22. This is an extremely competitive industry with everyone vying for your business.
23. Just remember that you are the customer and the decisions need to be yours.
24. The buyer truly holds the power when shopping for a vehicle.
25. You are not obligated before signing a contract in any way.
26. Have a better idea about the price of cars, financing, and other factors such as insurance that help in determining which car to buy
27. Navigate web sites and find information that is important to a case specific task
28. Finally compare whether you need to pay a lower monthly rental if you lease a car than what you would need to pay as an EMI if you owned it and make appropriate decision whether to lease a car or buy a car.
29. Good luck with your vehicle purchase – happy and safe shopping!
30. Whatever your choice was, have fun in the driver's seat but...drive safely!

If you want	Then you might consider
A new car every 2-3 years	Leasing (Leases benefit car owners who plan to switch cars regularly since a long-term commitment isn't required)
To resell the car	Buying (Buying a vehicle means that you could resell it to recoup some of your payments, whereas leasing doesn't allow for any resale rights since the car doesn't belong to you)
No major repair risks	Leasing (Because a lease is under a special warranty, the vehicle leaser never has to worry about covering major repairs)
Eventual ownership	Buying (Leasing a car means you're borrowing it for a period of time, so if you want to eventually own the vehicle, its best to take out a car loan)
Lower monthly payments	Leasing (Leasing a car means that you don't have to pay a high monthly payment because you're only paying a portion of the cars cost and the interest rates are lower)
Long-term cost savings	Buying (While a lease could save you money in the short-term because you make low monthly payments, buying the vehicles means you will get to keep the car cost-free after you've successfully completed your term)
A lack of vehicle restrictions (miles and maintenance)	Buying (When you lease, you must not only stay under a specific number of miles per year, but also keep the car in good condition to avoid wear-and-use charges)

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