



Should You Buy or Lease Your Vehicle?

Buying a car can make a lot of sense, but so can leasing. Read on to get the pros and cons of buying vs. leasing before you decide how to roll.

Millennials are notoriously wary of debt. Nevertheless, few can afford to pay cash for a car. That leaves an auto loan or a lease as ways to finance a vehicle. Your choice will depend on how you evaluate the pros and cons of each.

Benefits of leasing. Leasing requires a smaller amount of up-front cash, and the monthly payments are smaller. That allows you to drive a higher-grade vehicle that would be too expensive to purchase. Of course, many folks lease every few years simply to have a new vehicle in their driveway with the most up-to-date safety and fuel-efficiency technologies. Finally, you pay sales tax only on the financed amount.

Disadvantages of leasing. When lessees turn in their vehicles, they receive no trade-in value, which is the excess of the vehicle's value over the lease amount. Additionally, leases charge penalties for excess mileage and wear, as well as early termination of the lease. Many folks shy away from leasing because of complicated contracts.

Benefits of purchasing. Buying provides trade-in value and the satisfaction of ownership. In the end, purchasing a vehicle typically costs less, especially when owners take good care of it so that it remains in excellent condition over time. Shoppers planning to keep the vehicle for many years can purchase extended warranties to help reduce the costs of ownership. Of course, buyers are free to drive, sell, or trade their vehicles whenever they desire, without penalty.

Disadvantages of purchasing. Buying a vehicle can result in larger monthly payments and down payments. However, you can often extend payments up to eight years, which will reduce monthly payments but will drive up the total interest charges. When you buy a car, you are liable for sales tax, if your state charges any, on the full purchase price. Finally, you experience an immediate loss of value when you drive the car off the dealer's lot.

A car is a necessity for millions of millennials. If you are one of them, you'll have to weigh the benefits and disadvantages of both. Part of the decision will rest on the relative costs of each approach.

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