

Buying vs. Leasing That New Car

Just picked out a new vehicle? Now, you need to decide whether to buy or lease it.

If you buy, you'll own the car outright, either right away or when the loan is paid off. If you keep the car after that, you could have a least a few years without monthly loan payments. Also, your insurance premiums are likely to be lower and you don't have to worry about a lease contract's wear-and-tear clause and mileage restrictions.

On the other hand, when you buy, you'll have substantial upfront costs, including taxes, registration and the full purchase price or loan down payment. Also, because most cars depreciate quickly, you may end up owing more on an auto loan than the car is worth, which would mean a loss if you need to sell before the loan is paid off.

What if you lease instead? First, you won't own the car at the end of the lease, so you'll have to buy or lease another vehicle when the lease ends. You may also face mileage restrictions of perhaps 15,000 miles per year. If you drive more than that, you might pay 15 cents per mile extra.

Still, upfront payments on a lease are usually lower than when you purchase and there's no risk that you'll owe more on a loan than the car is worth. Leasing may also be a good choice if you can deduct lease payments as a business expense or you like driving a new car every few years.

If you lease, you'll likely have to put down a security deposit, which is often refunded at the end of the lease, unless you violate the lease agreement. To help ensure you get your deposit back, make sure you thoroughly understand all the terms of the lease agreement.

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

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