

Buying Or Leasing A Car

You may not need a car now. You may not need a car at any time in your life. But at some point, you may decide to get one. If you do, will you buy or lease a car? Let's take a look at both options.

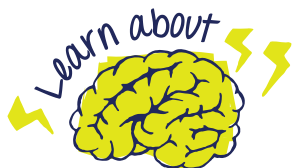


**DO YOU KNOW PEOPLE WHO HAVE A CAR BUT DON'T REALLY NEED A CAR?
WHEN MIGHT A CAR BE A NEED RATHER THAN A WANT FOR A PERSON? AND
WHAT CAN MAKE A PERSON WANT A CAR WHEN IT ISN'T NEEDED?**

Leasing A Car

Leasing a car involves making monthly payments for the use of a car for a certain period of time — e.g. 3 or 4 years. It involves signing a lease agreement — and these can vary quite a bit. A lease agreement usually includes things such as the following.

- The length of the lease (e.g. 36 months or 48 months, etc.)
- The estimated value of the car at the end of the lease. This will determine how much of the car's value you will be paying for.
- The down-payment — the amount you pay at the time you sign the lease. This will lower your total lease payment and your monthly payment.
- The interest or financing amount you will pay. The interest rates on leases can vary greatly and some companies will offer lower interest rates to encourage people to lease their cars.
- The number of kilometers you can drive without extra charges — e.g. 20,000 or 24,000 kms. a year. You can pick from different "mileage" allowances. The less you drive, the lower the cost. But, if you go over your allowance you will be charged a certain amount per kilometer. Your lease will tell you the cost for each km. over.
- The warranty that applies to the car.
- The total monthly cost you will pay.
- The total cost you will pay for the whole lease.



**DO YOU KNOW PEOPLE WHO LEASE A CAR? IF SO, YOU MAY WANT TO SEE WHAT YOU CAN
LEARN FROM THEM AS TO WHY THEY CHOSE TO LEASE, RATHER THAN BUY.**

Advantages Of Leasing

Lower monthly payments: When you “buy” a car you are paying for the total value of the car. When you lease a car, you are only paying for “part of the car” – that part you “use up” over the period of the lease. From the moment a car is sold, it “depreciates” in value. Its value will decrease each year over time. In a lease, you will pay for how much it is estimated the car will depreciate in value while you have it. By paying only for that part of the car that you will use over three years, your monthly costs will be lower than if you bought the car.

Lower down-payment: Whether you buy or lease a car, you may have to make a down-payment – or you may want to make a down-payment. The larger the down-payment you make on a lease, the less you will have to pay back and the lower the monthly cost. You may be able to make a lower down-payment by leasing a car than by buying a car.

Lower repair costs: If you lease a car and return it after 3–4 years, you can often avoid expensive car repairs that can come up for older cars.

Use of a newer car: If you prefer to stay in a newer car, leasing means you will likely get a new car every three or four years. You can also choose a different kind of car when your lease is up if you like.

Tax advantages: For some people, for example those who need to use a car for business, they may be able to get a tax deduction based on how much the car is used for business.

Disadvantages Of Leasing

You don’t own the car: At the end of the lease you turn the car back in. You don’t own the car – you aren’t acquiring an “asset.” As a result, you won’t get to a point where you own the car and no longer have to make monthly payments.

You have to return it as you got it: The car is not yours to do with as you like. You will need to return it as you got it.

You are sort of locked in: If things change for you, and you want out of the lease, it can be difficult – and maybe costly – to get out of the lease. There are some possible options – for example getting someone else to take over your lease – but it will be more difficult than if you bought a car and could sell it.

Higher insurance costs? Maybe. Maybe not. Check this out prior to making your decision to see if insurance rates will be different if you lease or buy.

The “extra” charges: As noted, if you drive more kilometers than those in your “allowance”, you will pay for the extra kilometers. And if there is any damage beyond “normal wear and tear” you will probably have to pay for those repairs.



IF YOU FIND YOU ARE FACING A DECISION OF BUYING OR LEASING A CAR, YOU MAY WANT TO LOOK INTO LEASING IF:

- YOU DON'T HAVE A LOT OF MONEY TO USE TO SPEND ON A CAR OR WANT TO MAKE LOWER MONTHLY PAYMENTS
- YOU DON'T WANT TO WORRY ABOUT EXPENSIVE CAR REPAIRS
- YOU LIKE STAYING IN A NEWER CAR
- YOU NEED TO USE A CAR FOR YOUR BUSINESS
- YOU DON'T DRIVE MORE THAN SAY 20,000-24,000 KMS. A YEAR
- YOU HAVE A RELIABLE SOURCE OF INCOME
- YOU DON'T CARE THAT MUCH ABOUT OWNING THE CAR AND HAVING THE CAR AS AN ASSET

If, on the other hand, you decide you want to buy a car, the following are some general tips to help.

Tips When Buying A Car

- Explore various possible sources for a car: dealers; private sale; cars that were repossessed and are being sold off; car rental companies and taxis and police vehicles (be aware, though, that used cars that served as taxis or police vehicles may have received pretty hard use.)
- Never buy a used car without having it inspected by a good mechanic.
- If you buy a used car, check for things such as: is there rust on the surface and under the car; how is the compression in the engine; has the car been painted or been in an accident; are the tires worn unevenly indicating a problem with the alignment; how is the smoke from the exhaust — is it white, which is normal, or is it black or blue indicating problems; are there any leaks under the car — let it sit in one spot for a while, then move it and check; do the gears shift smoothly?
- Set a limit on the amount that you are going to spend for a car and stick to it.
- If you buy a used car, make sure that there are no liens against it, that is, someone might have taken out a loan and used the car as collateral. If they did, and the lien still exists, then the car can be taken from you and sold to pay off the debt.
- Check the history of a used car if you can. Contact past owners if you can by tracing the history of the car through provincial records.
- Negotiate the price. Car dealers will bargain — and usually expect to. You may also be able to bargain if you have a car to “trade in” as part of the deal. The dealer may be able to bargain on the “trade-in allowance.”
- Buy in the winter, if you can, when fewer cars are purchased. Demand is lower and you may be able to strike a better deal.
- Keep up regular maintenance on a car — it more than pays for itself in the long run by helping to avoid major repairs.
- Read all contracts carefully.
- Never sign an offer for a car until you are absolutely sure that you want to buy it.
- Don't be pressured into a sale. If you feel you are being pressured, back away and think about it. People are especially likely to be influenced by a friendly or aggressive salesperson. Most car dealers won't want you to leave if they feel they are close to a deal. But if you feel uncertain — walk away and take some time to think.
- Check any warranties that are offered to see who backs them — the manufacturer? the dealer? an insurance company?
- Don't buy a used car without seeing proof of ownership of the vehicle.
- Check the consumer reports publications and other books to research the record and reputation of the car you are considering.
- Get a receipt for any sale, and make sure that it states any equipment on the car that is to be included that might be removed by the current owner.
- Should you get a new or used car? Do you have a choice? Used cars are cheaper, depreciate less quickly than new ones, and usually cost less to insure. On the other hand, used cars often aren't backed up by a dealer who you can go back to if you have a problem, they usually cost more to operate, and you may not know how a used car has been handled or driven by previous owners.
- Make sure that you really need a car. What are the options (bicycle, public transportation, etc.)? Is it worth the expense? And, if you get one, enjoy it and drive safely!