

A photograph of a blue car driving on a road, with a green field in the background. The car is in the foreground, and the background is blurred to suggest motion.

Purchasing a New Car

Lease vs. Loan

Purchasing a new car can be stressful. Along with finding a vehicle that suits your needs and fits your budget, you need to decide whether or not you should lease or take a loan. When deciding which financing option is best, you may want to take the following into consideration.

Taking Out a Loan for Your Car

Benefits:

- When you finance a vehicle through a loan and your needs change, you can sell it whenever you choose.
- Mileage is not limited.
- When the loan is paid, the equity in the car is yours.

Drawbacks:

- Monthly payments are higher than with lease payments.
- Taking a loan may require a down payment.
- Most new cars will depreciate quickly and can result in negative equity (owing more than the car is worth), thereby making it difficult to trade in or sell.

Leasing Your Car

Benefits:

- Most often there are lower out-of-pocket costs when leasing and maintaining a vehicle.
- You will always be driving a new car; therefore, you will be less likely to have maintenance issues.

Drawbacks:

- By leasing a car, you will always have a car payment.
- You will not own the car at the end of the term.
- There are mileage restrictions on leased cars, and going over can result in very high fees.
- Insurance costs may be higher on leased cars.
- You can be penalized heavily for early termination of the lease.
- At the end of the lease, you can be charged for excess wear and tear.
- If the actual value of the car at the end of the lease is less than its residual value, you pay the difference in an open-ended lease.

Whichever option you choose, do the following before you negotiate financing:

- Establish the purchase price of the new vehicle before discussing any financing.
- Establish the trade-in value before discussing financing.
- Compare lenders to get the best rates. Dealerships, credit unions and commercial banks can be competitive. Comparison shop for the best loan.
- Understand financial terms and current interest rates.
- Consider gap insurance if you will owe more than your insurance will pay in the event that your car is totaled.

The decision to lease or take a loan will always depend on your personal circumstances. Make sure that the payment fits your budget. Consider keeping your old car or buying or leasing a used car as an alternative.



An Educational Message from



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make all the difference.*