



# 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.

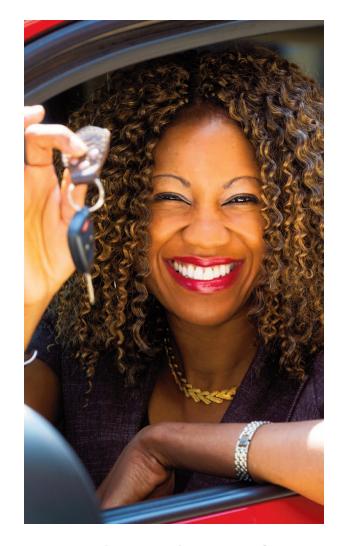
#### Drawbacks:

- 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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