

## Car Loans Versus Car Leases

Factors	Car Loans	Car Leases
<b>Ownership potential</b>	<ul style="list-style-type: none"> <li>The car belongs to you and the bank that gave you the loan until you have paid off the loan.</li> <li>Then, the car becomes yours.</li> </ul>	<ul style="list-style-type: none"> <li>You are essentially renting the car from the dealership. You make monthly payments to the dealership for a set number of months.</li> <li>The car does not belong to you. When the lease ends, you have to return the car to the dealership.</li> <li>You may decide to purchase the car at the end of the lease. However, the total cost generally ends up being more than it would have been if you had bought the car in the beginning.</li> </ul>
<b>Wear and tear</b>	<ul style="list-style-type: none"> <li>There are no charges for wear and tear.</li> </ul>	<ul style="list-style-type: none"> <li>Most leases charge you extra money for any damage found at the end of the lease that goes beyond normal wear and tear.</li> </ul>
<b>Monthly payments</b>	<ul style="list-style-type: none"> <li>Payments are higher, because you are purchasing the vehicle, but you only pay them for a set term. Then, you own the car.</li> </ul>	<ul style="list-style-type: none"> <li>Payments are lower because you are not paying to purchase the car.</li> <li>As long as you lease a car, you will continue to make monthly payments.</li> </ul>
<b>Mileage limitations</b>	<ul style="list-style-type: none"> <li>There are no mileage restrictions.</li> </ul>	<ul style="list-style-type: none"> <li>Leases restrict the number of miles you can drive the car each year.</li> <li>If you exceed the mileage allowed, you have to pay the dealer for each mile over the limit, according to your lease.</li> <li>For example, a dealer may charge you \$.15 for every mile that you drive over 24,000 miles in 2 years. If you drive the car an additional 3,000 miles, you would owe the dealer \$450.00 for those miles.</li> </ul>
<b>Auto insurance</b>	<ul style="list-style-type: none"> <li>It is usually less expensive than auto insurance for leased cars.</li> </ul>	<ul style="list-style-type: none"> <li>Insurance on a leased vehicle may cost more because of higher coverage requirements.</li> <li>Some insurance carriers may also consider leasing to be higher risk than purchasing.</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>Purchasing a car is usually more cost effective if you plan to keep the car over several years.</li> </ul>	<ul style="list-style-type: none"> <li>Exceeding the mileage on a leased car and/or decide to buy it outright once your lease has expired, it will end up costing you more.</li> </ul>

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	<ul style="list-style-type: none"><li>• However, in the short term, the costs will probably be greater than a car lease because of the higher monthly payments.</li></ul>	<ul style="list-style-type: none"><li>• When your lease term ends, you do not own a car.</li></ul>