AUTOMOBILE LEASE

**Vehicles, whether leased or financed, are seen by many as a typical cost of American life.1 They are one of the biggest expenses that individuals and families face after housing prices. Consider leasing a car if you don't want to deal with an auto loan or if saving up the full cost of a car seems overwhelming. But not everyone will enjoy it.**

**Although leasing is frequently less expensive in the near run, buying a car is typically less expensive overall. Making the choice that is best for you and your family will be aided by weighing the advantages and disadvantages of leasing vs. purchasing a vehicle.**

**What's the Difference Between Leasing and Buying a Car?**

In a car lease, one party agrees to let the other party use an automobile for a set amount of time in exchange for recurring payments, which are often made in monthly installments. You must return the vehicle to the lessor unless your lease includes an option to buy it at the conclusion of the contract term.

Leasing a car is different from financing one since with financing you are actually buying the car. Even though you'll still have to make payments every month, the car will be yours after the term is through.

| **LEASING** | **BUYING** |
| --- | --- |
| Lower monthly payments | Higher monthly payments |
| Return the car at the end of the lease | Keep the car |
| Better warranty protection | Post-warranty repair costs |

**Payments**

**When compared to monthly payments for the same vehicle financed with a conventional personal auto loan, a typical automobile lease payment might be much less. This is due to the fact that lease payments are calculated using the vehicle's depreciation in value throughout the term of the lease rather than the vehicle's full value.**

**Ownership**

**Drivers have the option of leasing a car that is finer and costlier than the one they could afford to buy. Most leases last between two and four years, after which you are free to lease a new vehicle. You don't have to go through the drawn-out sales process after your lease expires. You may drive off in a brand-new leased car without having to deal with the inconvenience of making a purchase.**

**When you purchase an automobile, you are not required to return it at the end of the loan. However, you'll need to locate someone to buy it from you if you want to get rid of it.**

**Warranties**

Your new leased vehicle will likely remain under warranty throughout the lease period and, therefore, will rarely require anything more than routine maintenance. With a lease, you never have to worry about any mechanical failures. No matter what, you’ll be covered.

When you buy a car, it may be covered under a warranty for a short time. However, unless you [extend the warranty](https://www.thebalancemoney.com/best-extended-car-warranties-4801027), you'll need to pay for all repairs out-of-pocket when it expires.

**Which Is Right for Me?**

Making monthly payments throughout the life of your lease requires a stable and predictable source of income. When you have a lease, it is harder to get out of the contract than it might be to [sell a used vehicle](https://www.thebalancemoney.com/sell-a-car-with-a-loan-315099).

Car leases typically have a stated (but negotiable) maximum number of miles that the lessee can drive per year, known as the mileage allowance. The standard mileage allowance for a private driver lease normally ranges from 10,000 to 15,000 miles per year. If a [driver exceeds the mileage allowance](https://www.thebalancemoney.com/is-a-high-mileage-lease-right-for-me-527161), they'll be charged an additional fee per mile. If you do decide to take on the responsibility of a lease, make sure you read the fine print.

Although a lease has a lot of great perks, you’ll often pay more in the long run for a comparable vehicle if you lease it rather than buying it. Leases often come with many fees and penalties. Upfront fees may include down payment, security, and license fees. Penalties may include default charges for late payments, fees for ending the lease before the agreed-to period, and wear-and-tear charges.4

**Note**

Simple things like procrastinating on regular maintenance can cost you a lot of extra money.

While selling a vehicle is seldom a money-making endeavor, you’ll at least get something in return for your vehicle rather than walking away with nothing once your lease is up.2

**When Buying Is Better**

Buying may be the better decision if your goal is to minimize costs. When you buy a car, each loan payment goes toward owning your car outright. Most [car loan terms](https://www.thebalancemoney.com/pros-and-cons-of-short-term-auto-loans-4101856) are 4-6 years. After paying off your loan, you can drive the car without payments. You can also choose between trading it in for a new model or selling the vehicle. If you take good care of the vehicle, the resale value can help you recoup some of your expenses.3

Buying is also the better choice if you like to customize your car. The ability to do whatever you want, whenever you want, with your vehicle without the fear of additional fees is a great feeling. Even if you have a loan, the car is yours to do with as you wish. When you own your car, you can drive as much as you want and customize it to your heart's content.

If you drive a lot of miles, buying could be the right choice. You can drive as many miles as you want without worrying about penalties. There also are no wear-and-tear fees when your loan runs out, as there often are with leases.

As long as you are committed to driving your vehicle for an extended amount of time and have adequate car insurance coverage, you are unlikely to lose out financially.