

Title : Lease vs. buy car: compare new car financing options to find the optimal

Name: Shirisha Jakkidi

Student Id: 02072700

DESCRIPTION:

Other than housing expenditures, a new or used car is one of the biggest expenses that people and families face. Many individuals regard owning or leasing a car to be a standard expense of living in the United States. 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.

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.

Key differences between leasing and buying a car:

- 1.The procedure in which the seller transfers ownership of the asset to the buyer in exchange for a sufficient monetary price is referred to as buying. A lease is a contract where one party purchases the item and transfers the right to use it to another party in exchange for regular payments.
- 2.The parties engaged in a purchase are the buyer and the seller. Contrarily, in the case of leasing, the parties engaged are the lessor, or the asset's owner, and the lessee, or the asset's user.
- 3.The value of an asset when purchased is equal to the cost of ownership, whereas the value of an item when leased is equal to the cost of use.
- 4.When purchasing, the buyer has the option to exchange or sell the asset at any moment. Contrarily, because the lessor owns the asset, a leasing agreement does not give the lessee this freedom.
- 5.The consideration for purchasing the item must be paid in full or through a defined number of equal monthly installments. In contrast to this, the lessee must make monthly lease payments in order to use the asset.
- 6.Unlike leasing, which has a set term, buying has no such limitations. Thus, purchasing enables one to utilize the asset for the duration of its economic life.
- 7.The buyer acquires ownership of the item as soon as all outstanding debts are paid. The lessee, on the other hand, has two choices at the end of the lease term: either to possess the asset by paying a small fee, or to return it to the lessor. Despite the fact that operational lease does not have this provision.

Conclusion:

We can say that renting is a better option than paying cash or borrowing money to purchase a long-term asset. Before choosing between the two options, prioritize your needs. For example, if you need the item for an extended length of time, buying the asset makes sense because the equivalent annual cost (EAC) of owning and managing it would be lower than leasing it.

Check the asset's post-tax EAC to decide whether to buy or lease; if the latter, however, is more than the former, leasing will be advantageous.

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CAR RENTAL
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