

## Single-Payment Lease

A prepaid lease is a new type of lease which has made its foray into the market in recent times. In this lease, consumers forego the cycle of lease payments if they make a large payment at the beginning of the lease.

There are two amounts in a conventional lease that incur charges and determine your monthly lease payments. First, there is a depreciation charge which accounts for the value the car loses during the lease term. Second is a residual amount which is the projected value of the vehicle at the end of the lease. The sum of these two charges gives the monthly payments on your lease. The idea behind a pre-paid lease is to eliminate the finance charges for depreciation and only account for residual value charges in a single, pre-paid payment at the beginning of the lease.

Single-payment leases are devised with spendthrifts in mind: no cycle of monthly payments, a new car every two to three years and no interest in purchasing the vehicle at the end of the lease. You should only consider this type of lease if you are concerned about not being able to make monthly payments and have a lot of cash upfront.

(Word count: 200)

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