

Should You Buy or Lease?

With the prices of new cars rapidly increasing and the demise of tax deductions for interest paid on car loans, more people are considering leasing than ever. But, be sure to consider everything leasing involves.

When you buy a new car, at the end of the loan you own the car. When the last payment is made on a lease, you own nothing. You either turn in the car or exercise an option to purchase it at a predetermined price (residual value).

According to USAA, certain makes depreciate less, have high residual values, and consequently are better for leasing: *Acura, BMW, Honda, Infiniti, Jaguar, Lexus, Mercedes and most Toyota models*. Of course, you'll pay more, too, if you opt to purchase at the end of the lease.

Lease if you like to drive a new car every few years. If you plan to keep a car five or more years, buying is probably best.

Buy if you drive more than 12,000 to 15,000 miles per year. And buy if you are hard on car engines and interiors. You will be charged for excess wear and tear at the end of a lease. (If you

lease, keep regular maintenance records of inspections and minor repairs, including oil changes every 3,000 miles.)

The security deposit is usually refundable at the end of the lease; however, the disposition charge (to ready the car for resale) is usually the same or slightly higher than the security deposit. If you plan to buy the car at the end of the lease, you also may pay a purchase option fee.

In general, leasing is most favorable for businesses because of the tax breaks it offers. If you are not self-employed or if the car will not be used for business purposes, leasing is sometimes an expensive financing alternative because of higher (imputed) interest rates. The higher rates are due to low down payments and higher risks for the lenders. *And remember, you own nothing at the end of the lease term.*

Weigh the advantages and disadvantages. If you decide to lease, shop around for a "consumer-friendly" lease. And, *read the contract carefully before signing.*