

AUTOS: Lease or Buy?



Use this table to compare buying vs. leasing an automobile. Ask your credit union loan officer to help you weigh your options.

	LEASING	BUYING
OWNERSHIP	You don't own the vehicle. You must return it at the end of the lease unless you choose to buy it.	You own the vehicle—it's your asset. You keep it at the end of the financing term.
UPFRONT COSTS	These may include the first month's payment, a refundable security deposit, a capitalized cost reduction (similar to a down payment), taxes, registration, and other fees.	These may include the cash price or a down payment, taxes, registration, and other fees.
MONTHLY PAYMENTS	These usually are lower than monthly loan payment—you're paying only for depreciation during the lease term, plus rent charges (similar to interest), taxes, and other fees.	These are usually higher than monthly lease payments—you're paying for the entire purchase prices, plus interest and other finance charges, taxes, and fees.
GAP COVERAGE	This is often included in lease agreements. If not, you can purchase it.	This is usually not included in finance agreements, but you can purchase it.
MOVING OUT OF STATE	Some agreements restrict you from relocating the vehicle to another state or country.	There are no restrictions when relocating.
CHANGING VEHICLES	Leasing has advantages if you change vehicles frequently.	Buying has advantages if do not change vehicles frequently.
EARLY TERMINATION	You may be responsible for early termination charges.	You're responsible for any payoff amount—that is, the loan balance—if you end the loan early.
VEHICLE RETURN	You may return the vehicle at lease-end, pay any end-of-lease cost or purchase the vehicle if your lease includes that option.	You might sell or trade the vehicle if you want a different one.
FUTURE VALUE	The lessor—the party leasing you the vehicle—has the risk of the future market value of the vehicle.	You have the risk of the vehicle's market value when you trade or sell it.
MILEAGE	Most leases limit the number of miles you may drive; you will pay charges for exceeding those limits.	You may drive as many miles as you want; higher mileage will lower the vehicle's trade-in or resale value.
TERM LENGTH	A typical lease is 2–4 years.	A typical auto loan term is 4–6 years.