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Speaker 1

Welcome. My name is Andrew Baron, and this is, Well... It Depends! The podcast where I present pros and cons of different financial decisions so that you, the audience, feel better informed when you are confronted with these decisions in your own life. In this episode, I ask the question, should I lease or buy a car? But before we began a short disclaimer, this is being recorded on January 10th, 2023.

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The contents of this podcast are strictly for informational purposes only, and nothing such should be taken as investment, tax or legal advice. Any strategies discussed may not be suitable for listeners specifically, and so we strongly encourage consulting with your advisor before implementing any strategies to ensure they meet your individual objectives. Leasing or buying a car is one of the great debates in personal finance.

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But when you're trying to decide what's right for you, consider a number of factors, including your personal preferences, your cash flow, and the amount that you drive. Let's start off with leases, which is a less familiar process to most of the listeners. Leasing is an agreement between you and the lender for the right to use the car. This is typically over 36 months, but can vary.

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Leasing can be right for you if you enjoy having a consistent monthly payment, you want to have a late model car and you never want to worry about expensive repairs since the car will always be under the manufacturer's warranty. A great way to use this would be someone whose temporarily living in California, but plans to move back to New York City.

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If you're only in California for a number of years, such as the 36 months, while you're there, you're likely going to need a car to get around. But afterwards, when you move back to New York City, a car isn't going to be very useful, so a lease would make sense in this instance. So what about buying a vehicle?

Buying a car will have a higher monthly payment compared to leasing, especially considering the interest rate you'll have to pay if you're borrowing or financing your vehicle.

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However, you also have ownership, which means that you can sell or trade your vehicle at any time or alter it as you see fit. It may make sense to buy your vehicle if you want a specific model and trim class. Dealers decide on which vehicles will be up for lease, and if you have your heart set on a specific type, it may not be available unless you purchase it.

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It is more economical over the long term to buy. If you were to compare a back to back lease over six years, this will cost thousands of dollars more than buying a vehicle and owning it over the same six years. This effect amplifies if we would do this again for nine years. It's a good tidbit to know that the average American vehicle is on the road for 12 years currently, which does put things into perspective.

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If you intend to drive a lot, know that leases are often capped at 10000 to 12000 miles per year. So if you're a high mileage driver, this may not be the right option for you. To recap, leasing may be advantageous if you're trying to keep your monthly payments down in the short term. However, over the longer term, buying is a more economical option.

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It's important to consider your personal preferences, your cash flow and your driving habits to ultimately decide on what is the best fit for you. If, after listening, you'd like to discuss your situation with one of our financial planners, including me, please email info@jgua.com. John G. Ullman & Associates is a team of financial planners, research analysts, tax specialists and support staff all working together to give our clients a comprehensive experience.

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So to answer the question, should I lease or buy a car? Well... It Depends!

Speaker 1: Andrew Baron, CFP®, EA