

Buying vs. leasing

Family



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Buying Versus Leasing The phrase buying a car is used to refer to the act of obtaining and owning a car by obtaining a loan to purchase their car. On the other hand, an individual can even choose to obtain a car on the basis of leasing. In case of leasing an individual chooses to obtain a vehicle for a fixed period of time and pays a sum of money for the period he chooses to keep the car with himself. Once the lease period is over, the individual returns the car to the leasing company for the purpose of disposal. Following is a comparison of the costs that an individual has to bear in case of buying as well as leasing a car. The car that has been selected for this discussion is 2015 Accord Sedan LX.

Leasing

Type Of Costs

Leasing

Manufacturer's Suggested Retail Price

\$22, 105

Lease Payment/Month For 36 Months

\$417

Total Lease Payment

\$15, 012

Residual Value

\$10, 700

Total Cost To Purchase Leased Car (Total Lease Payment + Residual Value)

\$26, 712

Table 1: Leasing A 2015 Accord Sedan LX (Automobiles. honda. com 1)

Buying

Type Of Costs

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Buying

Manufacturer's Suggested Retail Price

\$23, 725

Loan Payment/Month For 36 Months @ 2. 9% APR

\$711

Total Cost

\$25, 596

Table 2: Buying A 2015 Accord Sedan LX (Automobiles. honda. com 1)

Discussion

Whether to buy a car through the method of loan financing or obtaining a car on the basis of lease is dependent on various reasons. One of the reasons that help in deciding whether to buy or lease a car is dependent on how long does an individual wants to use and own the car. If the person wants to own a car for a shorter period of time and aims at changing the car in a limited time period, then the person should opt for obtaining the car on lease. If the person wants to keep the car for a longer period of time, then the person should obtain it on the basis of a loan. For example, table 1 suggests that if a person wants to keep the car after the lease period is over the total cost of obtaining the car will be \$26, 712 and this cost will include the residual value as well as the lease payments that a person will make for 3 years for a 2015 Accord Sedan LX. On the other hand table 2 suggests that if the person obtains the car on the basis of an auto loan, he has to pay a total amount of \$25, 596 and this amount will include the 2. 9% APR that a person pays on the Manufacturer's suggested retail price. This means that purchasing a 2015 Accord Sedan LX for the long-term on the basis of loan is less expensive as it costs \$1, 126 less to obtain a car on the basis of a loan

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instead of obtaining it on lease basis. On the other hand if a person chooses to keep the 2015 Accord Sedan LX for a shorter period of time then he/she should opt for the leasing option because the person will only have to pay \$15,012 to enjoy the car for 3 years and then he/she can switch to another car. In my opinion, I would obtain 2015 Accord Sedan LX on the basis of a lease as I believe that owning a car for a shorter period of time is better than owning it for a longer period of time. Since I want to keep the car for a shorter time period, I would prefer to pay only \$15,012 and this will keep my cost of owning a car to the minimum.

Works Cited

Automobiles. honda.com,. Estimate Payments - Official Honda Web Site. N. p., 2015. Web. 20 Mar. 2015.