

Leasing vs. buying: How to decide what's best for you



Car negotiations can be tricky – do your homework so you're not taken for a ride

JOANNE WILL

Globe and Mail Update

Published on Wednesday, Jan. 26, 2011 12:05PM EST

Last updated on Monday, Jan. 31, 2011 10:34AM EST

The lease on my 2007 Mazda6 is coming due in March 2011 and the dealership has called me to discuss options. The mileage on my car is low 48,000. I have checked my lease contract and the lease end purchase option price is \$15,556.20.

When I went into the dealership, they advised that they are offering 0 per cent financing for 72 months for a new car, but I'm not sure whether to buy new or lease again. I'm just concerned with all the costs in repairs as a car gets older. I have a GIC maturing in August.

I want to be prepared prior to meeting with the salespeople – who I know will try to pull the wool over my eyes. Negotiating a car deal is not something I have a lot of experience with. I'm a single/widowed female who does not want to be taken advantage of and I want to walk in there with as much knowledge as I can acquire. – Joanne in Toronto

If you want to be confident you're getting the best deal, you've got to do some homework. Based on your question, you're deciding between leasing another car or purchasing a new one. Of course, you could also buy-out your current lease.

“It depends on the type of individual you are, and how you view cars. If you prefer to trade it in every three or four years for the latest and greatest, or you're self-employed and using the vehicle for business purposes and can write it off, maybe leasing is for you. Or if you're a buy-and-hold type person, and want to hang onto it for 10 or 15 years like I do, you'll prefer owning a car at the end of your payment period,” says Ron Hampton, a certified general accountant at Hampton & Co.

A new-car purchase will come with a warranty, which covers your concern about repair costs. If you can get 0 per cent financing, why rush out and pay it off right away? Reinvest your GIC when it matures. Or, if you can hold off until August and use the money from your GIC combined with the money you've already got saved, you may be able to negotiate a better price based on paying cash. Remember though, with a new car, the value of your asset will quickly depreciate.

Keep in mind that you could pick up a new 2010 model for a discounted price. Most manufacturers websites, including Mazda, provide a calculator to help you determine payments for the lease or purchase of a new vehicle. Spend some time running through the scenarios.

Most financial planners will tell you to buy a car, and hang onto it. "It's generally better to buy a used car than a new car, and buying a new car is usually better than leasing," says [Sheila Walkington of Money Coaches Canada](#).

Have you considered buying out your current lease? This is a good idea if your buy-out is less than the market value of the vehicle. If that's the case, you could even turn around and sell it for a profit. Check current prices for your specific model, with comparable mileage. Should you choose to keep it, your concerns about repair costs could be addressed through purchasing an extended warranty, or setting aside an amount each month for maintenance.

Before heading into the dealership, make sure you're clear on what you want, and investigate your options. If you do the groundwork, you won't get taken for a ride.