

Leasing vs. Buying a Vehicle

The Pros and Cons

What is the difference?

Leasing a vehicle involves paying for its use over a defined period, after which it is returned to the dealer. This option typically results in lower monthly payments, however, it may be more costly over time as you do not build equity in the vehicle, and you will not own the vehicle at the end of the lease term. Upfront costs may include a security deposit and additional fees, but monthly payments are generally lower because they primarily cover the vehicle's depreciation during the lease period. Leased vehicles are often under warranty for the duration of the lease, which can reduce repair costs, although routine maintenance remains your responsibility.

Buying, on the other hand, typically requires a higher upfront cost, often 10% to 20% of the purchase price. In terms of maintenance, warranties on purchased vehicles usually last around three years or 36,000 miles, after which you are responsible for most repair costs. Ownership also provides complete flexibility with mileage or vehicle use. Depending on depreciation, it is possible to owe more on the vehicle than the resale value.

How To Decide

When deciding between buying and leasing a vehicle, there are several differences to consider. Purchasing generally provides greater flexibility, including no restrictions on mileage and use. In addition, ownership allows you to retain the vehicle once the loan is paid off in full. Leasing, by contrast, typically offers lower monthly payments, but does not result in ownership at the end of the lease term. Depending on the agreement, mileage restrictions and additional fees may apply.

The decision to lease or buy should be based on several key factors, including your anticipated annual mileage, budget, and intended use of the vehicle. Utilizing a [lease-verse-buy calculator](#) can help you evaluate costs and determine the most appropriate option for your financial situation.



Pros and Cons of Leasing a Vehicle

Leasing allows you to drive a vehicle for a fixed term, typically three to four years, often through a dealership or manufacturer's financing company. In some cases, lease transfers or used vehicle leases can also be available. At the start of the lease, you will be responsible for taxes, title and licensing fees, dealership documentation charges, and other upfront costs.

There are generally mileage limitations that come with leases. They are commonly between 12,000 and 15,000 miles per year. Exceeding these limits may result in additional charges. At the end of your lease term, you may also be responsible for costs associated with excessive wear and tear, such as dents, scratches, or interior damage. Addressing minor repairs prior to returning the vehicle may help reduce these charges.

Pros of Leasing a Vehicle:

- Lower monthly payments compared to financing a vehicle.

- Reduced upfront costs in some cases, particularly with promotional offers.
- Warranty coverage typically extends over the entire lease term.
- No long-term concerns regarding depreciation or resale value.

Cons of Leasing a Vehicle:

- Mileage restrictions with potential costly overage fees.
- Limitations on customization or modifications. The vehicle must be returned in the same condition you received it. If not, you may be paying for excess wear charges.
- High costs for early lease termination.
- No ownership of the vehicle at the end of the lease term, despite making monthly payments.
- Upfront costs that include a security deposit, acquisition fee, or drive off fee.

When Leasing May Be a Good Option

Leasing may be right for you if you prefer lower monthly payments, minimal upfront financial commitments, and the ability to drive newer vehicles. Leasing may not be ideal for you if you are someone who drives extensively, takes frequent long trips, or prefers to customize their vehicle.

Pros and Cons of Buying a Vehicle

When you purchase a vehicle, each monthly payment contributes towards building equity. Once the loan is fully repaid, you own the vehicle outright. Ownership provides greater control, allowing you to drive unlimited miles, customize the vehicle, and sell or trade it at your discretion.

While purchasing typically involves higher upfront costs and monthly payments, it may be more cost-effective over time. Once the loan is paid off, you can continue to drive the vehicle without ongoing payments, resulting in long-term savings. If you are leasing, you will always have a payment.

Pros of Buying a Vehicle:

- No mileage restrictions, so you can drive as much as you want without worrying about extra fees.
- No excess wear penalties.
- Full ownership once the loan is completely paid.
- Flexibility to customize, sell, or trade in the vehicle.
- Lower overall cost if you plan to keep the vehicle after the loan is paid off.

Cons of Buying a Vehicle:

- Higher monthly payments when compared to lease payments.
- Larger upfront financial commitment, often including a down payment up to 20%.
- Exposure to depreciation, particularly in the first five years of ownership when the vehicle can lose about half of its value.
- Responsibility for maintenance and repairs beyond warranty coverage.

When Buying May Be a Good Option

Purchasing a vehicle is often the better choice for individuals who plan to keep their vehicle for several years, want to minimize long-term costs, and value flexibility in usage.

Researching buying or financing may require more work when compared to inquiring about leasing options. However, if you buy or finance a vehicle, you have full control to sell or trade it in whenever you see fit. This is not as simple when you are leasing.

Similar to deciding if a lease is a good option, you should consider your driving habits, how much you can afford, what your long-term goals are for your vehicle, and if having the newest model is important to you.

Once you know the type of vehicle you want, crunch the numbers by using [our online auto calculators](#). Additionally, shop around for financing and compare rates to ensure you are getting the best loan available to you.