

## **LEASING A CAR -- BEWARE!**

**By: Albert Aiello, CPA, RE Broker**

"I believe that the best thing to do is purchase the vehicle outright. Truth in leasing is upon us, and I think once all the facts are out on leasing, people will realize it's not a good thing." \_ Chrysler Chairman Robert Eaton (Automotive News, November 21, 1994)

Leasing is more expensive than buying. It's "renting" a small part of the life of a car, (like renting a house vs. owning it.). What attracts people to leasing are "little or no money down" and "affordable payments." However, you are paying much more for these attractive terms and the convenience of leasing. You have no equity value at the end of the lease term. You have perpetual payments. This is unlike a purchased car where you will have value at the end of the loan term (and a free & clear car with NO payments). Even though a car is a depreciating asset, it still has some value. Moreover, some cars hold their value very well.

For new car owners (leasing or buying), the biggest expense is depreciation in value. Therefore, a better alternative is to buy a good, low mileage, later model used car, instead of a new one. This can save you substantially. Look to acquire a previously leased vehicle, preferably one that was a 2 year lease with low mileage (which leased cars usually have as a result of lease requirements). These cars can offer great value for a lower price. Their market value will be substantially lower than the original retail even though it still can be in excellent condition with low mileage.

**WHEN SHOULD YOU CONSIDER LEASING?** You are the type that truly likes to drive a new car every 2 or 3 years, you like the convenience of leasing and you can truly afford the higher cost (and endless payments). This is more prudent if the price is over \$20,000 and the car is used in your business with tax write-offs. (For prices under \$13,000 leasing is not at all a good alternative.) Another possible lease scenario is where you want to try out a particular model for a couple of years without being committed to buying the car.

If you decide to lease, read the lease thoroughly and **KNOW** what's in it before you sign it. At the present time full disclosure of all pertinent facts is not required in auto leases (although this may be changing). Look for hidden costs, such as excessive mileage charges or the need for additional insurance. If you feel uncomfortable about anything, seek competent assistance.

The above are excerpts from *How To Buy A Car Without Being Taken For A Ride* (\$14.95) by: Albert Aiello and *The Real Estate Professional's Bible of Tax Strategies*, by: Albert Aiello. \$34.95. To order, call toll free at 1-888-544-4636 or (215) 937-9207 or [www.taxbible.com](http://www.taxbible.com)