

BUY VS. LEASE MATRIX



BUYING

LEASING

Ownership

It's yours.

Upon signing the contract, you are the owner of the vehicle, which means you now have some obligations you need to fulfill. For instance, if you do not meet your promises in the contract, whomever you are financing with has a number of rights they can pursue. This even includes the right to take your vehicle.

Use it then return it.

You do not own the car when you lease. Your lessor owns the vehicle. What you're paying for is the use of the vehicle; this includes base rent, taxes, title, registration fees, etc. During or at the end of your lease term, you may actually be able to purchase the vehicle. However, this will depend on what your contract says.

Up-front Costs

Acquisition costs and down payment.

To qualify for credit in general or for a monthly payment you would like, you may need to make a down payment. In addition, you might also have to pay other amounts including (but not limited to): applicable fees and taxes associated with the purchase and delivery of your vehicle such as license fees, registration fees, title fee, etc. Depending on your financial situation, you may be able to finance some or all of these fees and taxes through your installment sales contract.

Acquisition costs and capitalized cost reduction.

Your capitalized cost reduction (CCR) is similar to a down payment. While making a CCR might reduce your monthly payment, it is not always necessary to qualify for credit or the monthly payment you would like. When you sign your lease, you can expect to pay for the first monthly payment, the security deposit, the acquisition fee, and other fees and taxes, so be prepared. Depending on your financial situation you may be able to finance some of your up front costs through your lease contract.

Monthly Payments

Payments lower the amount owed.

The dealership will use the amount you've financed and your Annual Percentage Rate to calculate your monthly payments. Keep in mind that your amount financed does not typically include any payments (such as a down payment) that you might have already made when you signed your contract.

Payments are for use of the vehicle.

Remember, the lessor is the owner of the car. This is why you're typically able to pay less per month in a lease than what you would if you were to buy a Toyota. Your monthly payment goes to cover the depreciation of the vehicle as well as other applicable fees and other amounts you have financed through your lease (like taxes, title and registration, etc.)

Going Above and Beyond

Prepayment.

When you finance the purchase of your new Toyota, it may be possible for you to make additional payments (or to even pay off the entire amount in full) ahead of schedule. This is known as "prepayment." In some instances, prepaying might actually help you save some money. However, in some cases such a prepayment may subject you to a penalty. Check with your dealer for more details on this.

Early termination.

There are various ways you can fulfill your promises on your lease. However, a substantial early termination charge may be assessed if your lease is terminated before the contract ends. Make sure you carefully review the terms of your contract before you sign it, and ask your dealer to tell you more about the options that are available to you if this is a concern to you.

Vehicle Return

You decide.

Once your car has been paid off, you can modify it, sell it, pass it on to someone ... It's up to you! You do not return the vehicle at the end of the term. During the term, if you cannot make your payments, you may have to return the vehicle to your finance source or your finance source can take (repossess) the vehicle from you.

It depends.

Unless your contract states otherwise, you'll have to return your car at the end of your lease. If you're not sure whether or not you'll want to return the vehicle when your lease is up, ask your dealer about the various lease options that are available to you. In some leases you will be allowed to purchase the vehicle at lease end or during the term of the lease. Under some leases you may return the vehicle before the end of the term if you pay a substantial early termination fee. Again, you'll need to consult with your dealership for more details on this.



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Future Value

Your risk.

Protect your investment! The future value of your car will depend on how well you maintain it.

Lessor risk.

In a closed-end lease, the lessor assumes most of the risk, but you will have to pay for excess mileage and wear and use when you return the vehicle. Be mindful of your lease terms (such as your mileage limits and wear and use limits) and try to obey them. If you don't, you will be assessed charges when you turn in your car. The charges you are assessed will vary depending on whether you return the vehicle at lease end or during the term of the vehicle. Generally, if you are permitted to (and elect to) terminate your lease prior to lease end, you will be charged a substantial early termination fee. The costs owed upon lease termination can be found in your contract.

Mileage

Unlimited.

It's simple: the higher the mileage on your Toyota, the lower the resale value will be. So if you do drive often, then remember to protect your investment.

Limited.

The miles you may drive without paying excess mileage fees are pre-set in your contract. Be sure you know them, because going over them will result in fees.

Wear and Use

Unlimited.

Again, the more wear your car receives, the lower its resale value.

Limited.

You will be charged a fee for excess wear and use. Excess wear and use will be defined in your contract. Take the time to read this over and know it!

End of Term

No more payments!

Once you've paid off what you owe in your contract, there are no more monthly payments to make.

See your contract.

At this point, whether you can buy your Toyota depends on what's stated in your lease agreement and your finances. If you can't buy it (or if you don't want to), then it's on to your next car!