



Buying a new car – or should you lease?

Everyone loves the idea of a shiny new car – the smell of the interior, the gleaming engine, and the state-of-the-art sound system. But is it better to own that new car, or lease it?

It really comes down to two issues, says Jim Rogers, chair of Rogers Group Financial in Vancouver. “How long are you going to own the car before replacing it?” he says. “And will you be able to expense the car through the nature of your work?”

Basically, if you’re going to keep the car for five years or longer before replacing it, you’re better off buying it, explains Rogers, especially if you don’t have a job that would allow you to write off some of the expense.

Today’s cars are made to last at least five or six years without requiring much in the way of expensive repairs, Rogers points out, and these days the look of a model doesn’t even really change that much from year to year. So unless your job requires you to have a late-model

vehicle, it’s more cost-effective to own your car and keep it for five or six years.

On the other hand, if you tend to only keep a new car for three years before replacing it, and you can expense it, there may be a case for leasing. “But you should still sit down and do the math,” says Rogers.

CALCULATING THE COSTS

There are many variables to add up when you’re weighing the pros and cons of leasing versus buying.

Here are some factors to consider:

- Whether you’re leasing or buying, what is the proposed interest rate?
- If you’re leasing, what are the terms, conditions and buyout privileges?
- What will the residual value of your car be after the lease ends?
- How much will your car be worth in three years if you want to sell it?





- How will you be financing your purchase – for example, will you use your home equity line of credit?
- Have you factored in any hidden costs and considered the tax consequences?

According to *Consumer Connection*, a publication of the Office of Consumer Affairs at Industry Canada, here are some of the pros and cons of leasing and buying a car:

In the end, it comes down to how often you're going to replace your car, whether or not you can deduct any of the related costs, and what interest rate you can get. The important thing is to work out the numbers carefully before you make a decision. You may find it useful to try one of the many online calculators. Industry Canada offers helpful tips for the buy/lease dilemma, along with a calculator, on its website: www.strategis.ic.gc.ca/epic/internet/inoca-bc.nsf/en/ca01851e.html.

Advantages of Leasing	Advantages of Buying (or Financing)
a lower monthly payment than you'd otherwise have on a loan for the same car	the carrying cost is lower than if you keep your vehicle on lease for a long period of time
you're taxed on just the monthly payment rather than on the full price of the vehicle	unrestricted kilometres
your vehicle is under warranty for all or nearly all of the ownership period	more freedom in terms of servicing and any modifications to the vehicles
your money isn't tied up in a vehicle	you build up "equity" in the vehicle that you would not with a lease
your vehicle is almost always fairly new	your taxes are lower on a loan than if you buy the vehicle at the end of the lease

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