

Lesson Seven: Leasing a Vehicle

Many people choose to **lease** a vehicle rather than buy one. When you lease a vehicle, you pay a specific amount each month for a set period of time. A down payment may be required. At the end of the lease period, you can return the vehicle to the dealer (and often lease a newer vehicle) or you can buy the vehicle for a pre-determined buyout price (called the **residual value**).

Example 1

Work with your teacher to list advantages and disadvantages of leasing a car, as opposed to buying a car.

	Advantages	Disadvantages
Leasing a Car	<ul style="list-style-type: none"> → Lower monthly payment than buying a car and financing it. → Car is under warranty. → No long term commitment. → Can drive a new car more often. 	<ul style="list-style-type: none"> → Cannot customize the car. → Limit to the number of kilometres you can drive. → You have to give the car back at the end of the lease — you will have to lease it again or buy a new car if you need one.
Buying a Car	<ul style="list-style-type: none"> - You can keep the car since it's yours. - You can customize the car. - No limitations to the number of kilometres you can drive. 	<ul style="list-style-type: none"> - Higher monthly payment than if leasing. - After warranty, you are responsible for all repairs. - Buying a new car as often as leasing can be very expensive.

Example 2: Calculating a Lease Payment

You see a commercial on TV that shows you can lease a 2019 Toyota Corolla Hatchback for \$0 down and \$276 a month. Calculate the monthly lease payment after taxes.

NOTE: You have to pay GST and PST on any lease payment.

$$\text{TOTAL lease Payment} = 276 + \text{GST} + \text{PST}$$

$$= 276 \times 1.12$$

$$= \$ 309.12$$