

## Lesson 15 LEASE OR PURCHASE AN AUTOMOBILE?



### Reasons for leasing

- If you like driving a new vehicle every few years.
- Low monthly payments
- Your monthly payment can be significantly lower than with traditional financing because you pay for the portion of vehicle you expect to use during the lease term.
- You may tailor your lease to fit your needs.
- Your new vehicle warranty covers your car for 36 months or what is current coverage at the time.
- You may pay for extra mechanical coverage if you wish.
- **GAP protection.** What if your vehicle is stolen or totaled in an accident? Gap protection at no extra cost to you. It guarantees that if your new vehicle is stolen and not recovered or totaled in an accident and there is an insurance settlement, you are not responsible for any additional charges other than your insurance deductible.
- You can arrange for additional miles 12,000 / 15,000 / 20,000 mile per-year limit when negotiating your lease.
- Yes you may terminate your lease early. However, early termination charges may apply.
- You may purchase the vehicle at lease end for the guaranteed purchase price in your lease agreement.

### TYPES OF LEASES

1. **CLOSED-END-LEASE:** the lessor assumes the risks for actual depreciation. That is, when the property is returned at lease end, and eventually sold, any surplus or and deficit on the eventual sale (sale price minus residual) accrues to the lessor. The lessee is merely responsible for satisfactorily maintaining the property during the lease term and returning it in good condition.
2. **OPEN-END-LEASE:** the lessee assumes the risks for actual depreciation. That is, when the property is returned at lease end and eventually sold, and surplus or any deficit on the sale (sale price minus residual) accrues to the lessee.

Change all 4-column widths to 13 – Format Column Width

	A	B	C	D
1	NAME			
2	BLOCK 1-2-3-4			
3	LEASE VS PURCHASE ANALYSIS			
4				
5				
6	COST OF FUNDS RATE			
7	8.00%			
8				
9			PURCHASE	LEASE
10				
11	NET PURCHASE PRICE		\$34,000.00	
12	DOWN PAYMENT		\$5,000.00	5,000
13	AMOUNT FINANCED		\$29,000.00	
14	LOAN AS % VALUE		85.29%	
15	INTEREST RATE		8.00%	
16	LOAN/LEASE TERMS (YEARS)		4	3
17	MONTHLY LOAN PAYMENT		\$707.97	
18	MONTH LEASE PAYMENT			\$489.00
19	PURCHASE PRICE AT END OF LEASE			\$17,000.00
20				
21			PURCHASE	LEASE
22	TOTAL PAYMENTS		\$38,982.79	\$39,604.00

Loan as % Rate  
=C13 / C11  
Make sure C15 is a percentage.

10. Cell D16 ..... 3 (years) given
11. Cell D 18 ..... \$489.00 given
12. Cell D 19 ..... \$17,000 given
13. Cell D 22  
=D18\*D16\*12 + D19+D12

1. Cell A 7 enter in the current rate. example 8%
2. Cell C11 enter in the cost of the automobile
3. Cell C12 enter in the down payment
4. Cell C13 =IF(C16<>0,C11-C12,0)
5. Cell C14 =C13/C11
6. Cell C15 =A7
7. Cell C16 .....four (years) given

8. Cell C17 = -PMT(C15/12,C16\*12,C13)
9. Cell C22 =IF(C16<>0,C17\*C16\*12+C12,C11)

# Lease assignments for Car Lease or Purchase Spreadsheet.

## Instructions:

Please be careful when entering in the amounts given. You will see a difference in the cost of purchasing an automobile or leasing one. Save your spreadsheet as **LEASE**. In hopes that we are connected to a printer you may printout the leasing spreadsheets.

### ASSIGNMENT 1

	PURCHASE	LEASE
NET PURCHASE PRICE .....\$16,000 CELL C22	GIVEN.	
• DOWN PAYMENT .....\$ 1,500	GIVEN	1,500
• INTEREST RATE ..... 8%	GIVEN	
• LOAN/LEASE TERMS (YEARS).....	3 YEARS	3 YEARS GIVEN
• MONTHLY LEASE PAYMENT .....		\$320.00 GIVEN
• PURCHASE PRICE AT END OF LEASE .....		\$4,500

### ASSIGNMENT 2

	PURCHASE	LEASE
NET PURCHASE PRICE .....\$20,000 CELL C22	GIVEN	
DOWN PAYMENT .....\$ 2,000	GIVEN	2,000
• INTEREST RATE ..... 8%	GIVEN	
• LOAN/LEASE TERMS(YEARS) .....	4 YEARS	4 YEARS GIVEN
• MONTHLY LEASE PAYMENT .....		\$360.00 GIVEN
• PURCHASE PRICE AT END OF LEASE .....		\$5,000 GIVEN

### ASSIGNMENT 3

	PURCHASE	LEASE
NET PURCHASE PRICE .....\$10,000 CELL C22	GIVEN	
• DOWN PAYMENT .....\$ 1,000 \$11,000.00	GIVEN	1,000 \$11,152.98
• INTEREST RATE ..... 8%	GIVEN	
• LOAN/LEASE TERMS (YEARS) .....	3 YEARS	3 YEARS GIVEN
• MONTHLY LEASE PAYMENT .....		\$190.00 GIVEN
• PURCHASE PRICE AT END OF LEASE .....		\$3,160 GIVEN

#### **CORRECT ANSWERS FOR LEASING**

CELLS C22	D22
1. \$17,857.58	\$17,520.00
2. \$23,092.76	\$24,280.00
3. \$11,152.98	\$11,000.00