This is a question only you can answer. There are several factors to consider. Can you afford to put money down? If so, how much? Do you drive a lot of miles each year? Some leasing programs have limits on annual mileage. Are you hard on your car? If you expect a lot of wear and tear, leasing may not be right for you.

It’s important to understand that a lease only gives you the right to use a car for a defined period of time, typically 24 or 36 months. After that, you have to return the car. That leaves you without ownership or assets. On the other hand, if you buy a car, at the end of the loan it’s yours free and clear.

Most leases, however, allow you to buy the car you’ve been driving, either in a lump sum payment at the end of the lease or by refinancing the balance over a certain term. This may or may not be a worthwhile financial option.
Beware of low monthly payments

You’ve probably seen car commercials advertising low monthly payments for auto leases, and that’s the number lessors will try to push on you. But it’s misleading. You should use the actual value of the car or the total amount of money financed to lease it — also known as capitalized cost — to negotiate, not the monthly payment.

The capitalized cost is equivalent to the invoice or sticker price of a new car. So by comparing the capitalized cost first, you can get a clear picture of how the interest and other charges vary with different lease programs.

There are other important numbers to consider as well: the total amount of mileage you are allowed during the lease, how excess wear and tear is assessed, the early termination charge and other penalties or charges.

Compare leases

Lessors have ways to add to the cost of a lease. For a starting point, always use the capitalized cost of the car. You also must consider what options the car has — this can significantly increase its value. Some other factors you should consider, besides the monthly payment, include the acquisition fee, down payment, optional insurance and warranties, the amount to be financed, early termination fees and any excess charges.

Another important factor is the residual value of the car at the end of the lease. This is the amount of money you would have to pay to buy your leased car outright. Some lessors inflate the value of the car at the end of the lease. Therefore, check the value of the car from an outside, unbiased source.

A lessor must disclose all the terms of a lease contract and provide a sample lease contract before you decide to lease.

Consumer protections

Lessors must disclose the full selling price or capitalized cost of the car. By requiring lessors to disclose this information, the law gives you the advantage to shop around for the best deal.

Many car lessors will include a hefty early termination charge if the car is returned before the lease expires. The law limits the amount a car lessor can charge.

Remember, you have the right to compare leases, negotiate the cost of the lease and know exactly what excess wear and tear you will be liable for at the end of a lease.