

Doron F. Eghbali Business Law

How Should You Lease a Car?

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Leasing a car could be an important decision in someone's life because of contractual and financial costs involved. In fact, we should first know if leasing is the right decision for us, and even if it is the intelligent approach how to intelligently implement it.

1. WHAT DOES LEASING A CAR MEAN?

Leasing a car involves making a small initial down payment to the dealership. The small down payment is followed by monthly installments over the period of your lease term.

2. WHAT ARE SOME OF DRAWBACKS TO LEASING A CAR?

- **You Do Not Own the Car:** Leasing a car is like renting it. You do not have any equity in the car to use when you buy another car. Therefore, you have to return the car at the end of your lease, unless you are willing to purchase it.
- **You Might Pay More for Continued Leasing Over 10 Years Than Purchasing:** It is important to understand if you keep leasing over a 10-year period you will end up paying more in leasing-associated costs and fees than purchasing a new or old car.
- **You Might Incur Penalties for Leasing a Car, If:**
 1. You drive more than the number of miles permitted in your lease contract.
 2. You fail to keep the leased car in "good" condition.
 3. You return the car before your lease expires.

3. WHO SHOULD LEASE A CAR?

- You do not have the money to buy the car or finance it, yet you can afford the lease payments.
- You won't exceed the miles specified in your lease.
- You are a responsible person who knows how to avoid damage to your car and address such problems in a timely fashion.
- You can lease another car at the end of your current lease.

4. HOW SHOULD YOU NEGOTIATE?

a) Negotiate the Sale Price of the Car First: This is very important to understand monthly lease payments are directly affected by the end price of a vehicle. This means you need to first negotiate as if you are purchasing the vehicle. After you are done negotiating for the sale price. Then, you let the salesperson know you want to lease the car based on the sale price you have already negotiated.

b) Negotiate and Know How Much the Dealership Has Paid for the Car: To improve or rather bolster your negotiating strengths, you should know how much the car dealership has paid for the car. You can obtain such information for \$14 or so from [Consumer Reports](#). The lease price you finally settle with the salesperson is somewhere between what the car dealership paid for the car and suggested retail price.

c) Negotiate with Intelligence and Prudence: This includes knowing the larger your initial down payment, the lower your monthly payments. However, you should carefully calculate whether paying a little more at first will save you more over the lease term. In addition, know if you turn in your leased car before your lease ends, you incur penalty, unless you trade it in for another leased car or you can purchase the same car.

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