

Transcript

Buying Vs. Leasing A Car (Part 2)

I have my friend Matt here and he just saw the video I made about leasing versus buying the sub compact car. And you had a question.

Yeah Sal, so I see from the video that it makes sense to buy the car in both those scenarios you went through. But, does it ever make sense to lease a car?

Yeah. I mean I was actually thinking about that myself when I went through it. I was okay, under what scenarios – and in that video I kind of threw out the idea that oh well maybe if you're – there are reasons from a tax point of view if you're a small business owner or you're a salesman and a car is essential for your business, you might be able to deduct the lease and that's a subject for another video.

But let's say you didn't have that. It's not a business expense in some way. One thing that you could think about – if you're going to keep the car – it's hard for me to imagine scenarios where buying doesn't win over leasing. Maybe there are some that people could think of. If you're going to give up the car – if you think you're going to give up the car on a regular basis – in that video we had, the buying still came out better, but a big part of the reason why the buying came out better was based on this assumption of what the resale value of the car actually is.

I assumed here \$12,000 and actually I did try to estimate for the subcompact car based on its historic depreciation. But this \$12,000 was based on the private market. To sell something on the private market, you've got to post something on the internet – people come to you. You have to do some work in order to sell your car.

If you just wanted to sell it to a dealer – they're not going to give you this \$12,000. They'll give you something less. They'll give you say, they'll maybe give you \$10,500 which actually seems like the likely price.

So if we make this \$10,500 then the giving up the car scenario – it's going to be \$18,740, minus \$10,500 – it gets us to \$8,240. \$8,240. So in this scenario, if we make these different assumptions where you just trade it into the dealer and you don't get as much for it but you just did it because you wanted kind of an easy transaction, it actually comes out that hey, maybe for these numbers, not always – but for these numbers, that the lease could actually make a little bit more sense.

Yeah, absolutely – I can see where that, in this case it would make sense to lease versus buy.

Cool!