

Unit 9 Lesson 6 Leasing a Vehicle

Objective: Calculate the total cost of leasing a Vehicle

Some people choose to lease a car instead of buying a car. Leasing the car is essentially like renting. You do not actually own the car. Can you think of some reasons a person might consider leasing versus buying?

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Two Common Types of Leases for cars.

Most leases have a mileage limit. If you exceed it, you will agree to pay extra money for the additional miles.

Closed-end Lease: With this type of lease you make a specific number of payments, return the car at the end of the lease period and owe nothing else unless you damage the car beyond normal wear and tear or go over the mileage limit.

Open-end Lease: With this type of lease you will have an option to buy the car at the end of the lease for its residual value(the expected value of the car at that time)

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With both type of leases you must pay all of the monthly payments, a security deposit, title fee, and license fee. You may have to pay additional state tax or it might be included in the lease. You also have to carry insurance on the car.

The mileage limitations are often 12,000 - 15,000. If you usually drive more than that in a year, you need to know you will be paying additional costs, usually so much per mile you are over.

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IMPORTANT FORMULA

$$\text{TOTAL LEASE COST} = \left(\begin{array}{l} \# \text{ Monthly} \\ \text{Payments} \end{array} \times \begin{array}{l} \text{Amount of} \\ \text{Payment} \end{array} \right) + \text{Deposit} + \begin{array}{l} \text{Title} \\ \text{Fee} \end{array} + \begin{array}{l} \text{License} \\ \text{Fee} \end{array}$$

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Example 1: You have been out car shopping and may decide to lease a car instead of buying. For a deposit of \$2,316 and 36 monthly payments of \$191, you can lease a brand new car. In addition, you also must pay a title fee of \$65 and a license fee of \$125. At the end of the three year period you must return the car. How much will the least cost you? (I Do)

$$(36 \times \$191) + \$2,316 + 65 + \$125 = \boxed{\$9,382}$$

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Example 2: Lease an SUV for 48 payments of \$294.
Deposit of \$1,189. Title fee of \$90. License fee of \$125.
What is the total lease value. (You Do)

$$(\$294 \times 48) + \$1,189 + \$90 + \$125$$

$$= \boxed{\$15,516}$$

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Example 3: Jason Babbs had an open-end lease for a jeep. The lease cost is \$325 a month for 36 months. He paid a deposit of \$800, a title fee of \$75, and a license fee of \$150. At the end of the lease he can buy the jeep for its residual value of \$ 10,500. (We Do)

a) What is the total lease cost? \$12,725

$$(\$325 \times 36) + \$800 + \$75 + 150$$

b) What is the total cost if he buys the jeep? \$23,225

$$\$2,725 + \$10,500$$

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Example 4: Jane Austin leased a car for 36 months with a monthly payment of \$210. She had to pay a deposit of \$1000, a title fee of \$90, and a license fee of \$110. The lease carried a stipulation that there would be a \$0.25 per mile charge for all miles over 45,000. She drove the car 58,865 miles. What was Jane's total cost to lease the car? (We Do)

$$(\$210 \times 36) + \$1,000 + \$90 + \$110 + \$3,466.25 =$$

58,865

-45,000

$$13,865 \times \$0.25 = \$3,466.25$$

\$12,226.25