



SHOPPING SMART

Lease vs. Buy Worksheet

Learn the language of a lease, then compare the true cost of both on one page.

A NOTE FROM OUR TEAM

A lease isn't a trick and buying isn't always smarter. Each one is a tool, and each one fits certain lives better than others. What hurts people is signing a lease they don't understand. By the end of this worksheet, you'll understand it better than most people who sell them.

— The Auto Advocate Team

When you buy, you pay for the whole vehicle. When you lease, you pay for the part of the vehicle you use up, plus a finance charge, taxes, and fees. That's the whole idea. The confusion comes from the vocabulary, and the vocabulary is where money gets made. Learn these terms and you can read any lease offer.

1 The Language of a Lease

TERM	WHAT IT MEANS IN PLAIN ENGLISH
Gross capitalized cost	The price of the vehicle in the lease, plus fees and anything rolled in. This is negotiable , just like a purchase price.
Cap cost reduction	Anything that lowers the cap cost: cash down, trade-in equity, or rebates. It works like a down payment.
Adjusted cap cost	Gross cap cost minus cap cost reductions. The number your payment is actually built on.
Residual value	What the leasing company predicts the vehicle will be worth at lease end. Usually set as a percentage of MSRP.
Depreciation fee	$(\text{Adjusted cap cost} - \text{residual}) \div \text{number of months}$. The "using it up" part of your payment.
Money factor	The lease's finance rate, written as a small decimal like 0.00125. Multiply by 2,400 to see a rough APR equivalent ($0.00125 \times 2,400 = 3\%$).
Rent charge	$(\text{Adjusted cap cost} + \text{residual}) \times \text{money factor}$. The monthly finance charge, the lease version of interest.
Mileage allowance	Miles you can drive per year without penalty. Extra miles are charged per mile at turn-in.
Excess wear and use	Damage or wear beyond the standards in your lease, charged at turn-in.
Purchase option price	What you'd pay to buy the vehicle at lease end, if your lease allows it.

Formulas and the 2,400 conversion from Edmunds. Monthly payment before tax = depreciation fee + rent charge. Taxes are then added according to your state's rules.

2 What Federal Guidance Says to Watch

Mileage limits

The Federal Reserve's leasing guide says most leases limit miles, often 12,000 to 15,000 a year. The FTC notes most standard leases allow 15,000 or less. Exceeding it usually means a per-mile charge at turn-in. You can negotiate a higher limit, but it raises the payment.

Excess wear

Most leases limit wear, and the standards are in your lease agreement. The Federal Reserve says those standards must be reasonable, and that charges may be limited by state law to actual repair costs or reasonable estimates.

Early termination

Ending a lease early can trigger a substantial charge, and the earlier you end it, the larger it generally is. Plan for the full term, because life changes are what usually break a lease.

Your disclosure rights

Under the federal Consumer Leasing Act, you have a right to information about a lease's costs and terms before you sign. Ask for the federal lease disclosure and compare every number to what you were quoted. Ask which add-ons are optional.

FROM THE INSIDE

Most lease conversations are about one number: the payment. But the payment is built from three numbers, and you should ask for every one in writing: the **cap cost** (is it the price you negotiated?), the **money factor** (ask whether it's the leasing company's base rate, because the rate quoted can include markup), and the **residual** (set by the leasing company, so it should match for the same term and miles). Also be cautious with large cash down on a lease. If the vehicle is totaled or stolen early, that cash is usually gone.

3 Side-by-Side Cost Worksheet

Compare both over the **same number of months**, on the same vehicle, from the same price.

LEASE: TOTAL COST	AMOUNT	BUY: TOTAL COST	AMOUNT
Due at signing (first payment, fees, cap reduction)	\$	Down payment + fees at signing	\$
Monthly payment × ____ months	\$	Monthly payment × ____ months (same term)	\$
Est. excess miles × per-mile charge	\$	Extra maintenance / repairs after warranty	\$
Est. excess wear, tires, missing items	\$	Remaining loan balance at end of term	\$
Disposition fee at turn-in (if any)	\$	minus: Est. vehicle value at end of term	\$
A. Total lease cost	\$	B. Net cost to own (sum – value)	\$

At the end of a lease, you own nothing and start over. At the end of the same period on a purchase, you own a vehicle worth something. That value is why line B subtracts it. Estimate it conservatively.

A – B = difference _____ Cheaper option for us _____

What does the cheaper option cost us in flexibility, mileage, or ownership? _____

4 Lease Offer Checklist

- ☐ Cap cost matches the negotiated price, in writing
- ☐ Money factor written down, converted to APR
- ☐ Residual percentage and dollar amount confirmed
- ☐ Annual miles match what we actually drive
- ☐ Per-mile overage charge known
- ☐ Wear-and-use standards read and understood
- ☐ Disposition fee and purchase option price known
- ☐ Early termination terms read
- ☐ Gap coverage: included, optional, or not needed?
- ☐ Every add-on identified as optional or declined

Make sure the payment fits No. 01, The Family Budget Worksheet. Still choosing new or used? See No. 25.

5 See How a Payment Is Built

A simple illustration using the formulas above. These are example numbers only, not a quote or a typical rate.

EXAMPLE LEASE (36 MONTHS)	VALUE
Adjusted cap cost	\$36,000
Residual value	\$22,000
Money factor ($\approx 4.8\%$ APR)	0.0020
Depreciation fee: $\$14,000 \div 36$	\$388.89
Rent charge: $\$58,000 \times 0.0020$	\$116.00
Monthly payment before tax	\$504.89

NOW WATCH WHAT MOVES IT

- **Cap cost \$1,000 lower:** about \$28 less per month on this example (\$27.78 depreciation + \$2.00 rent).
- **Money factor 0.0025 instead of 0.0020:** about \$29 more per month.
- **Residual 2% of MSRP higher:** you pay for less depreciation.
- **If the dealer's payment is higher than your math,** ask what's in the difference.

6 Which One Fits Your Life?

A lease may fit you if...

- ☐ You reliably drive within the mileage allowance
- ☐ You like a new vehicle every few years
- ☐ You want the vehicle under factory warranty the whole time
- ☐ You keep vehicles clean and in good condition
- ☐ Your job, family, and location are stable for the full term
- ☐ Strong lease programs exist on the vehicle you want

Buying may fit you if...

- ☐ You drive a lot of miles, or your mileage is unpredictable
- ☐ You keep vehicles for many years
- ☐ You want to own it outright and be payment-free eventually
- ☐ You tow, haul, modify, or are hard on vehicles
- ☐ Your life could change before a lease term ends
- ☐ You want to build equity you can trade or sell

LEASE OR BUY, START FROM THE RIGHT NUMBER

The best lease and the best loan start with the same thing: the right price.

Lease payments are built on the capitalized cost, residual, and money factor, and every one of them can move. The Buyer Brief researches current lease programs, rebates, and incentivized rates on your exact vehicle, and backs up your trade value with dealer-grade bookouts, so you can compare lease and purchase offers with real numbers.

Buyer Brief \$99

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THE DEALERSHIP HAS EXPERTS. NOW YOU DO, TOO.

SOURCES

Federal Trade Commission (FTC), Financing or Leasing a Car: consumer.ftc.gov/articles/financing-or-leasing-car

Federal Reserve Board, Keys to Vehicle Leasing (Consumer Leasing Act disclosures, mileage, wear, early termination, gap): federalreserve.gov/pubs/leasing

Federal Reserve Board, Keys to Vehicle Leasing: Excessive Wear: federalreserve.gov/pubs/leasing/resource/different/wear.htm

Edmunds, Calculate Your Own Lease Payment: edmunds.com/car-leasing/calculate-your-own-lease-payment.html

This worksheet is an educational tool, not legal, tax, or financial advice. Lease terms, taxes, and fees vary by leasing company and state. Read the federal lease disclosure and the full lease agreement before you sign.