



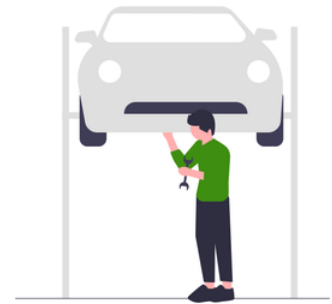
### Should I Lease, Finance, or Pay For A Car in Cash?

Ideally you want to keep your debt to income below 36% when purchasing a car.

For example, if your income is \$100,000 then your monthly payments towards debt shouldn't be greater than \$3,000/month (credit card/student loans/auto loans/mortgage/personal loans). However, you could have the savings to pay for a car in cash and instead decide to lease the car and use the cash to make the monthly payment. In this case, your payment wouldn't be included in the 36% debt to income ratio. This also assumes that you have a 3-6 month emergency fund in addition to the funds for the car.

#### Why Lease?

- You enjoy driving a new car every three years.
- You don't want to deal with repairs and extra maintenance. Leasing is almost always based on a new car so usually the maintenance is only oil, filters, and tires. Warranties help cover most unexpected repairs.
- You can handle or enjoy the researching, negotiating, and lease hacking game. Although there are options to pay a company to find a good lease for you.
- You typically don't drive more than 12,000 miles each year.
- You don't have to worry about being upside down on your loan.



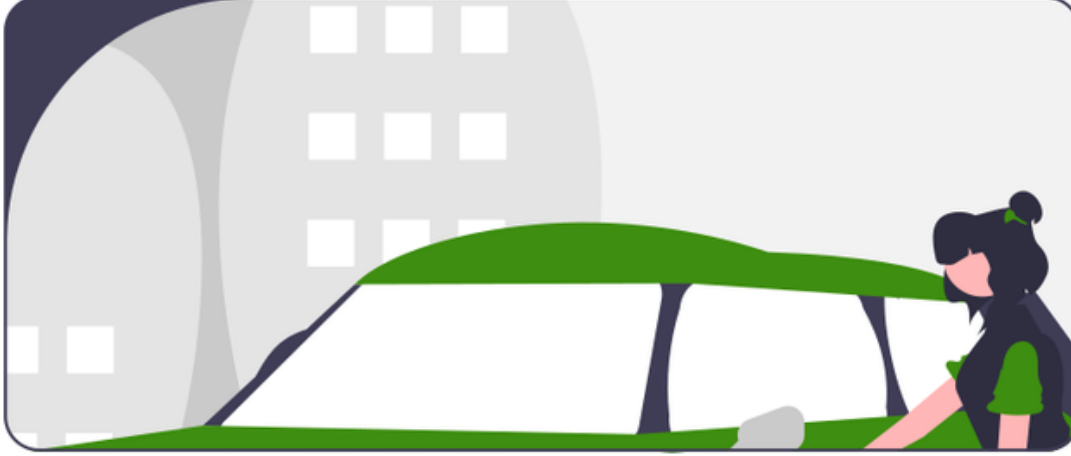
#### How do you know if you are getting a good deal?

Getting a good lease takes a lot of work. First you have to figure out your budget for the car you want (it's best not to be set on just one type of car) and make sure it is realistic. Then comes the negotiating, researching, and figuring out what is a great lease deal on the car you want.

A Leasehackr score helps you know if you have a good deal or not. A Leasehackr score is really just the number of years it would take before the cumulative monthly payments exceed the retail price of the car. For example, a \$30,000 car with a lease of \$250/month would net you a score of 10 because it would take 10 years to pay the \$30k. The higher the score the better. A score of 8 is pretty good while a score of 10 is great.

However, there are certain cars that are better to lease than others. A car that doesn't lease well with a score of 8 could actually be great. Whereas, an 8 for a car that leases really well may actually be a bad score.

A great resource to use is [www.realcartips.com](http://www.realcartips.com) where Gregg provides reports every Thursday. One of those reports is "Top 10 Cheapest Lease Deals." However, cheap does not mean a great deal. For example, the 2023 Hyundai Venue has an average monthly payment of \$304 with \$0 down. That's cheap for today's market! But the MSRP of the vehicle is \$20,985 which leads to an estimated score of 5.75; that's a bad score.



Go further down Gregg's list and you'll find the 2023 Kia Niro EV for \$40,875 with a lease payment of \$391 which would mean a lease score of 8.7; that's pretty good!

That may seem simple enough, but once you start trying to negotiate with dealerships you quickly realize it's much harder to get a good lease deal than you expected. You need to know the numbers that go into a lease.

A lease has many different variables that include terms that you probably aren't as familiar with. It's a learning curve, but can come quickly once you start diligently searching for the best deal and using the Leasehackr calculator.

Some of these terms include residual, money factor, APR, discounts, incentives, fees, MSRP, tax rate, term, miles, and down payment.

That's enough about leases for now, but check out those websites above and please reach out with questions you may have.

**Text Your Question:**  
385-398-4015

### **Why Finance?**

- You don't have the cash to purchase the car in full or you would rather leverage the cash you have on hand.
- Leverage means you want to use the cash for something more advantageous financially. For example, you could get a higher interest rate on a CD than the interest rate on your auto loan.
- You want to own the car for a long period of time (typically longer than the life of the loan).
- You enjoy working on your car and taking good care of it and even making repairs on it.
- You can get a better deal on the car you want by financing it now, and then potentially paying it off in a year or so if it makes sense. Dealerships often provide better deals by financing than paying in cash.
- You drive more than 12,000 miles per year.
- You expect interest rates to go up over the next 6-12 months which will make cash in your money market account more valuable.
- You want to build up your credit (leasing also builds up your credit).

## Why Purchase A Car For Cash?

- You want to own the car longer than 3 years.
- You want to have equity in the car and never worry about being upside down on your loan.
- You don't mind dealing with unexpected car repairs.
- By using cash you are forced to stick to your budget, the lump sum of cash.
- You want to avoid paying any interest/fees and don't care about trying to leverage the cash you put down on the car.

All of this is to consider which option is right for you, not necessarily whether to buy a certain model of car or whether to buy new or used. A good enough lease could compete with the pricing of a used car (same model) but it depends on the car market. However, in most cases it will cost more for a new car than a used. Typically, the longer you keep a car then the less it costs. There are exceptions such as buying a car that ends up requiring too many costly repairs.

Credit comes into play with leasing and financing. If you have no credit or bad credit and there's not enough time to boost your credit then you lean towards cash except that you are more likely not to have cash if you have no or bad credit.

So then you may lean towards a used car, but you have to be careful because 'buy here, pay here' dealerships that offer financing for no or bad credit often make the car financing way too expensive. They should be your last option, and maybe shouldn't even be considered.

Purchasing a car is typically your second biggest purchase you make. But you make this purchase many times throughout your life so it can save you thousands of dollars by becoming great at making car purchases.

I have leased and financed cars in the past. I did a great job on my first lease but just average on my second lease even though it was the same model with a small upgrade. I did worse on the second lease because I got tired of negotiating and gave in. The car market is constantly changing which gives dealerships an advantage because you have to start over each time you purchase a car. In addition, they know best how to sell you on a car. The best advice is to start early when looking at purchasing a car. Ideally, it will take you 2-4 months to purchase a car because you need to understand the market and how to get a great deal.

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