

Ask the Advisor



*"I'm thinking about a new car,
should I buy or lease?"*

Pat in Center Harbor

Leasing can make sense when it is done through a business, usually at the suggestion of your accountant, or when you value the peace-of-mind or safety of having a new car every two or three years.

Otherwise, from a pure financial standpoint, your best bet is to pay cash for a good used car and keep it a long time.

The sweet spot of car ownership is usually years two through ten. The car has already taken its biggest depreciation hit and the maintenance costs spread over nine years are usually reasonable.

What if you really like that new car smell? You can always buy new car smell spray, but I have never found that to work very well.

If you just have to have a new car, then buy one; but plan to keep it longer.

Keep the car for ten years and your average annual cost of ownership will be far less than if you replace the car with another new car after five years and a fraction of the cost of replacing the car in just two or three years.

In fact, keeping an average-cost new car for ten years versus buying a new car every three years can save you hundreds of thousands of dollars over your lifetime.

Keeping an average-cost new car for ten years versus buying a new high-end luxury car every three years can save you over a million dollars over your lifetime.

Invest the savings and the money in your pocket can grow drastically larger.

The choice is yours if the value of new car or luxury car ownership is worth the price of admission.