

IS IT BETTER TO BUY OR LEASE?



Work out the different costs of buying vs leasing new equipment.

Cost of item

Purchase price (excl tax)

Down payment

Net value of the loan

Value of equipment at end of loan period

Loan term (months)

Interest rate (per annum)

%

Fees

Monthly loan repayment

Net cost of buying

Net cost of buying

This is the total cost of buying your item. Calculated as:

- + Total up front costs (down payment + other fees)
- + Total payments made over the period
- Market value of the item at time loan expires
- = Net cost of buying

Definitions

Purchase price

Enter the total purchase price including any fees and less any rebates.

Down payment

Amount paid as a down payment (for leases this can be called a 'capital reduction').

Sales tax

Sales tax is not included in these calculations so ensure you make an allowance for this.

Potential return on investment

This calculation does not take into account any money you might earn on your money if you were to invest your funds in other ways over the same period.

Lease term (months)

Monthly lease payment

Other fees

Net cost of leasing

Net cost of lease

Enter the term in months for your lease.

- + Total up front costs (capital reduction + other fees)
- + Total lease payments
- = Net cost of lease

Regardless of which method is the best value you should factor in other possible long term benefits. If you own an asset there is a benefit in having total control, and once it's paid off, it 'costs' you very little (if not nothing) to use. If you lease an asset you'll be able to update more easily and possibly have support and maintenance done for you.