

**GRADE 12 ESSENTIAL
UNIT B – VEHICLE PURCHASE
COMPARE BUY VS LEASE**

Name: _____

Date: _____

1. Reece is planning to either buy *or* lease a new vehicle. She has \$4,000 available for a down payment and she is interested in an SUV that has a purchase price of \$34,499.00 plus PST (7%) and GST (5%). Whether she buys or leases she wants to own the vehicle at the end of 5 years. If she buys the SUV she can obtain a loan to finance the purchase at 4.5% for 5 years. If she leases, her monthly leasing payment will be \$403.00 (including taxes) for 36 months and she will finance the residual amount at 5% for 2 years. The residual value of the SUV is \$20,999.00 plus taxes.
 - a. Determine the total cost of buying the vehicle,
 - b. Determine the total cost of leasing the vehicle, and
 - c. Explain what advice you might give to Reece to help her with her decision?

2. David, wants to buy a new pickup truck priced at \$43,995.00 plus PST (7%) and GST (5%). His current truck has a trade-in value of \$7,500.00.

a. Determine the total cost (including finance charges) of the truck if David has \$5,000.00 for a down payment and takes out a four year loan at 5.5% for the balance.

b. David also considers leasing the truck (still priced at \$43 995.00) for four years. He is able to use the old truck valued at \$7,500.00 plus \$5000.00 as the down payment. The monthly lease payment is \$471.35 (taxes are included) the residual value is set at \$17 139.00 (taxes are included). What is the total cost of the lease?

c. At the end of the four-year lease, David may decide to buy the truck for the residual value. He would take out a two-year loan at 5.5% to pay for the truck. What is the total cost of the truck after the loan for the residual value is paid off?

d. Which is more economical - buying the truck or leasing the truck and then buying it later? Explain what reasons might David lease rather than buy the truck?