

YOUR MONEY SORTED



CARS: WHEN TO LEASE AND BUY

By **LETTIA WATSON**

Send suggestions for topics and requests for info to yourmoney@you.co.za. We may answer your questions in this column but won't reply personally.

Need new wheels? Consider leasing a car instead of buying. We look at the advantages and pitfalls

KNOW THE DIFFERENCE

Many people wonder about leasing a car instead of the more conventional buying transaction. Leasing involves a contract between you and a dealer whereby you lease the car at a set monthly rate and for a set period. By doing this you could end up paying less than you would with traditional vehicle financing in which you pay off the purchase price monthly – but it isn't always the best choice. We spoke to Rudolf Mahoney of WesBank about what the two options involve.

THE LEASE AGREEMENT

You pay for the vehicle's depreciation as well as insurance for the period for which you use it. The financier wants to make a profit when the car is sold at the end of the lease period so the contract usually has advantages such as a good maintenance plan. This is a good option if you want a new car every three years – the monthly costs can be lower than instalments and you're on a good maintenance plan. It's like renting a flat instead of buying – in the end you decide if you want to own the car.

THE INSTALMENT PLAN

With this traditional option you pay off the full price of the car. Choose whether you want to put down a deposit, whether to fix the interest rate, and how long the instalment period must be (between 12 and 72 months). The financier, usually a bank, is registered as the titleholder and the client as the owner. You can choose a balloon payment, a system that results in you paying smaller monthly instalments then paying a large amount (known as the residual) at the end of the contract period.

WHAT YOU SHOULD KNOW

After you've paid off a car it's yours. With a lease agreement you'll pay every month for as long as you lease it – usually about three years. Lease agreements should preferably not last longer than the maintenance plan otherwise you become responsible for repairs. With an instalment plan you can pay off the purchase price earlier without being penalised. But with a leasing plan you'll have to pay an early-payment levy, which can run into thousands of rands.

5 QUESTIONS ABOUT CAR LEASING

- 1 Do I need insurance?** This is usually a term of the contract. When you lease, the insurance premium can be part of your monthly payment – the company you lease from organises the insurance because it wants it in good condition for resale.
- 2 What do I need to apply?** Salary slips and bank statements for three months, your ID, proof of address, driver's licence and proof of insurance.
- 3 What if I exceed the kilometre limit?** Clauses in the contract will clearly indicate what penalties will be imposed if you exceed the set kilometre limit.
- 4 What if I can no longer afford it?** A penalty will be imposed as stated in the contract.
- 5 What do I have to look out for with balloon financing?** Understand how it works. It's almost like a big deposit but you pay it only at the end of the contract period.

3,2 PERCENT FEWER CARS SOLD



In May this year 47 868 new vehicles were sold in South Africa. That's 3,2 percent fewer than in May 2014. Car

dealerships bought 84,8 percent of these vehicles, 6,9 percent were bought by the government and 4,7 percent went to companies for use as fleet vehicles. Car-leasing agencies bought 3,5 percent of them.

SOURCE: NAAMSA, MAY 2015

TIP! Recognised car dealers have qualified financial advisers who can analyse your finances and help you to make the best choice.

POINT TO PONDER THE MONEY MATTERS TIP IN YOU OF 30 APRIL SUGGESTED THAT YOU STOP YOUR MORTGAGE INSURANCE ONCE YOUR BOND IS PAID. MAKE SURE YOU DISCUSS THIS WITH YOUR FINANCIAL ADVISER FIRST, AS THERE COULD BE BENEFITS TO HANGING ON TO THE LIFE COVER.

GET MORE HELP HERE

- Banks' websites
- Car dealers' and manufacturers' websites
- Wheels24.com

I know a lot about cars, man. I can look at any car's headlights and tell you exactly which way it's coming

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