



# YOUNG INVESTORS

BECOMING AN...

## INFORMED INVESTOR

TODAY'S TOPIC:

# Buying vs. Leasing

### Should you Lease or Buy a Car?

Both leasing and buying a car have their advantages and disadvantages. If you just want to determine which option makes the most financial sense you need nothing more than a financial calculator. However there are also lifestyle factors that should affect your decision making process.

Leasing is basically financing the "use" of a vehicle. Buying is financing the "purchase" of a vehicle.

#### Leasing could be a better alternative if:

- You are short on cash. Leasing usually requires a smaller down payment.
- You prefer a new car every three years and don't want the hassle of selling a car.
- You drive less than 12,000 miles a year, which should avoid extra mileage charges.

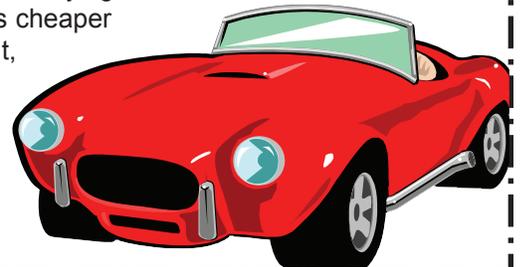


- Your car is used mainly for business and it tends to stay in good shape, avoiding extra charges at the end of a lease.

### Buying should be considered if:

- You are interested in building long-term value and eliminating monthly payments, buying a car is a more economical choice.
- You would like to build equity. Each payment made builds value. Once the car is paid off it's yours, free and clear and will have a sale or trade-in value.
- You do not want mileage restrictions. You can drive the car forever with no additional usage charges.
- If you have a high risk of damage from wear and tear, a lease may not be for you.

Over the long-run, buying a car is almost always cheaper than leasing, but, than again, there is nothing like the smell of a new car every three years.



Congratulations to Karen from Saratoga, California.  
Last quarter's Running With The Bulls Winner of the Nintendo® Wii System!



|                 | Lease 6% | Loan 0%  | Loan 6%  |
|-----------------|----------|----------|----------|
| Car Price       | \$23,000 | \$23,000 | \$23,000 |
| Down Payment    | \$1,000  | \$1,000  | \$1,000  |
| Interest Rate   | 6%       | 0%       | 6%       |
| Residual        | \$11,000 | N/A      | N/A      |
| Months          | 36       | 36       | 36       |
| Monthly Payment | \$388.06 | \$611.11 | \$669.28 |
| Total Cost      | \$25,970 | \$23,000 | \$25,095 |

As the chart shows, the monthly cost of leasing is **SIGNIFICANTLY LESS** than the cost of buying.

For the same car, price, term, and down payment, monthly lease payments could be 30%-45% lower than the loan payments (\$388.06 versus \$699.28 in the example). This is still true even when compared to a 0% interest rate loan (\$388.06 versus \$611.11).

Over the long-term the total cost of leasing is usually **MORE EXPENSIVE** than purchasing a car. Assuming you purchase the leased car at its residual value the total cost would be \$25,970 (\$1,000 + \$13,970 + \$11,000) assuming no extra mileage or damage charges. As a guideline you need to own a car for at least four years to break even on a cash flow basis.

### Featured Partner

[www.tuitionrewards.com](http://www.tuitionrewards.com)

### SAGE Scholars

## tuitionrewards

Monetta Shareholders can earn college Tuition Rewards for their kids totaling up to \$11,250 through a free online enrollment process. Visit the Monetta website and click on the Tuition Rewards icon to enroll.

Once enrolled, you will receive an email from SAGE prompting you to create a username and password. Once completed this will activate your account and the kids will begin earning rewards annually on their birthday as outlined below:

- Ages 1-11 .....500 Reward Points
- Ages 12-14 .....750 Reward Points
- Ages 15-17 .....1000 Reward Points

These rewards can be used at over 280 participating colleges and universities nationwide.

# Laughing Studio

**Have you heard the skunk joke?**

It really stinks.

**What did detective duck say to his partner?**

Let's quack this case.

**What did one flea say to the other flea?**

Should we walk or take the dog?

**Where do you put your money when you're on the beach?**

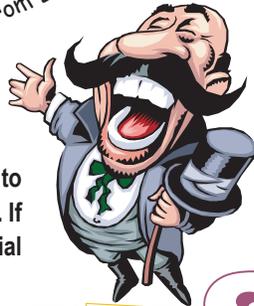
In the sand bank.

**What can you catch but not throw?**

A cold.

**Kids,** if you have a joke that you would like to submit, please send it to [info@monetta.com](mailto:info@monetta.com). If we use your joke we'll send you a special prize!

Submitted by Zoe from Lahaina, Hawaii.



## Kid-Themed Investments

# PEPSICO



-  Pharmacist Caleb Bradham created the drink Pepsi in 1893. It was named Pepsi Cola for the pepsin and cola nuts used in the recipe.
-  When you hear Pepsi, you probably think of the drink, but did you know that 49% of Pepsi's revenues come from its food division...this includes products such as Doritos, Cap'n Crunch Cereal, and Cheetos.
-  From 1970 to 1993 Pepsi was banned in India because it refused to give its list of ingredients to government officials.
-  Pepsi gained popularity during the 30s when it was the first to introduce the now standard 12-ounce bottle. It sold for five cents, the same price as Coca-Cola's 6-ounce bottle, to gain market share.
-  The company used to own Pizza Hut, Taco Bell and KFC, which in 1997 was spun out to create YUM! Brands.

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# GAMESTUDIO

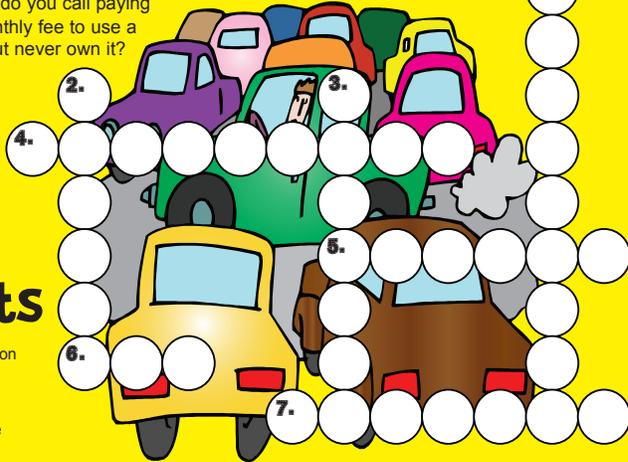
Win A Surprise!

## ACROSS

4. What can't you do if you lease a car?
5. After you pay off your car what is the value called?
6. A type of insurance coverage that will permit no loss to you if the car is stolen or totaled?
7. What do you call paying a monthly fee to use a car but never own it?

## DOWN

1. What is the 20% - 30% decline in value after you drive your new car off the lot called? **1.**
2. What type of transaction gives ownership after the term of the loan?
3. What restriction can end up costing you more at the end of the leasing contract?



## Hints

equity  
depreciation  
gap  
buying  
mileage  
customize  
leasing

## CAR TERMS

# PUZZLER

### OBJECTIVE:

Read the definition and see if you can fill in the circles with the correct word.

Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
 Phone \_\_\_\_\_  
 E-mail \_\_\_\_\_  
 Age \_\_\_\_\_

Mail or email to: [info@monetta.com](mailto:info@monetta.com)

**MONETTA FINANCIAL SERVICES, INC.**

**1776-A South Naperville Rd, Suite 100  
 Wheaton, IL 60189**

[younginvestorfund.com](http://younginvestorfund.com)

