



Rent, Lease, Buy

OBJECTIVES

1. To define the terms rent, lease, buy.
2. To compare the advantages and disadvantages of renting, leasing and buying.
3. To analyze the factors that influence one's decision to rent, lease or buy.
4. To build capacity to make informed decisions related to major purchases by increasing understanding of financing options available.



DISCUSSION

Get your students involved by tailoring these discussion points to their grade level, interests, and experience:



- What do you think of when you hear the terms rent, lease, buy?
- What are some advantages and disadvantages to owning versus renting or leasing?
- When you sign a contract to buy, rent or lease something:
 - Do you own it at the end of the contract? (buying)
 - Are you finished with it at the end of the contract and must give it back? (renting or leasing)
 - Are you buying it out for an additional fee at the end of the contract? (leasing)

Important to note that “rent” is short-term (e.g., you rent an airBNB or a hotel room). In terms of an apartment we often say we are paying our “rent”, but we actually sign a “lease”.

ACTIVITY

WHICH ONE SHOULD I CHOOSE? PART ONE: PROS AND CONS

Length: 1-2 class periods

Materials: *Which one should I choose? Pros and Cons* handout (can be used as either an assessment piece to gauge comprehension or a reference guide to help complete the activity)



- Divide the class into 3 groups (or have students do each option individually). Have each group find real-world examples of one of the following options:
 - Renting: vehicles and/or property. (Examples for research: Airbnb, Vrbo, hotel websites, commercial and residential real estate websites, vehicle and moving rental companies, and car sharing sites like Turo)
 - Leasing: vehicles and/or property (Examples for research: new and used vehicle dealerships, social buy and sell sites, realtor companies)
 - Buying: vehicles and/or property (Examples for research: new and used vehicle dealerships, social buy and sell sites, realtor companies)



- Have each group discuss and list all the pros and cons of their option. Encourage them to consider reasons why someone might choose their option (e.g., life expectancy of the item, income, new vs used item, short-term vs long-term need)
- Once the students have completed their research, discuss their findings in class.

WHICH ONE SHOULD I CHOOSE? PART TWO: CALCULATIONS

Length: 1-2 class periods

Materials: *Buying vs. Leasing* handout

- Have the students calculate leasing versus buying options for a vehicle. (This can be done in groups or individually).

Bonus: Have students calculate renting vs buying options for a property using the links at the end of the *Buying vs. Leasing* handout.

ADDITIONAL RESOURCES: [Buying a Vehicle Workbook*](#); [When Making a Large Purchase**](#); [Rent-to-own plans - Canada.ca***](#); [Buy now, pay later plans - Canada.ca****](#)

EXTENSION

Discuss the following and have students explain why their answers to the questions below might differ depending on their situation.

You want/need:

- to watch a movie with friends. Would you rent or buy?
- an electric scooter to get around the city. Would you rent, lease or buy?
- a textbook for university. Would you rent or buy?
- a car to get to and from your job. Would you rent, lease or buy?
- an ATV or four-wheeler. Would you rent, lease, or buy?
- to find a location to open a new bicycle repair business. Would you rent, lease or buy?
- a cellphone, computer or television. Would you rent, lease or buy?
- to furnish your apartment. Would you rent, lease or buy?



COLLABORATIVE FEEDBACK

- Based on the research shared in class, what are some additional questions or considerations to think of when renting versus leasing versus buying?
- What might be a good reason to rent? To lease? To buy?



PRE- AND POST-ASSESSMENT OF LESSON

- What do you know about renting, leasing and buying?
- What did you learn about renting, leasing and buying?



* fcnb.ca/sites/default/files/2020-06/Buying_a_Vehicle_Workbook.pdf

** www.youtube.com/watch?v=JK_XrviD3no&list=PLfIU2fk_WluYW9vL2deuAbzravvgJLIX6o&index=3&t=40s

*** www.canada.ca/en/financial-consumer-agency/services/loans/rent-to-own.html

**** www.canada.ca/en/financial-consumer-agency/services/loans/buy-now-pay-later.html

Which one should I choose? Pros and Cons

Cut out the individual squares. Shuffle the pieces of paper and place in a pile. Either cut out the titles RENT, LEASE and BUY or write them on a separate piece of paper. Match the squares to their corresponding title. Discuss the results in groups or as a class.

EXAMPLE 1 – PROPERTY (apartment, house, commercial building etc.)

RENT	LEASE	BUY
Sign a short-term agreement or contract (usually 30 or less days).	Sign a long-term agreement or contract (usually 6-12 months).	Sign an agreement of purchase and sale (if you are purchasing the home outright). A mortgage loan may be available to help you pay the set price in installments over a period of several years.
At the end of the agreement (e.g., 30 days) you and the rental agency may change the terms of the agreement. The price of the rental unit may increase or decrease.	No changes can be made to the agreement before the end of the term (e.g., 6-12 months), including changes to the monthly price of the leased unit.	Over time, the value of your home could increase or decrease compared to what you paid for it, depending on what's happening in the economy (i.e., a natural disaster could lower the value of your home).
You owe nothing if you want to move out. You may get money back depending on the cancellation agreement in the rental agreement.	You may owe a fee if you move out before the date noted in the lease agreement.	While paying your mortgage loan, you own the home. However, the home is collateral for your mortgage loan – meaning the financial institution who loaned you the money could take the home from you if you don't pay back the loan.
When the payment term is complete, you can move out or sign a new agreement or contract.	When the payment term is complete, you can move out or sign a new agreement or contract.	When the mortgage loan is paid in full (usually many years – 15, 25, 30), you own the home “free and clear” . (If you own an asset “free and clear,” the asset is completely paid off and no creditor can take it from you).

Which one should I choose? Pros and Cons

EXAMPLE 2 – VEHICLE (car, truck, SUV etc.)

RENT	LEASE	BUY
<p>Pay a fee (usually daily or weekly); you use the vehicle for the length you need. There may be rules in the agreement that state how many kilometres you are “allowed” to drive the vehicle while renting it. If you go over that amount, you will have to pay additional fees when you return the vehicle.</p>	<p>Pay a fee (usually monthly or every two weeks). You use the vehicle for the length of the contract (typically 2 to 4 years). At the end date of the contract, you may have a lease buyout option. The lease payment is typically lower than if you were buying the vehicle.</p> <p>(Lease buyout - buying a leased vehicle at the end, or sometimes before the end, of your contract. Usually at the time you sign a lease for a vehicle, the lease buyout price is already listed in the contract.)</p>	<p>You can pay for the vehicle outright and own it “free and clear” or you can finance a vehicle through a loan from the dealership or a financial institution.</p> <p>(When you finance a vehicle, you pay the entire purchase price of a vehicle over the life of the financing plus fees and interest.)</p>
<p>You pay the price set by the rental company.</p>	<p>The seller sets the price; you and the seller may be able to negotiate the payment and buyout cost at the end of the lease term and/or additional features. There may be rules in the lease agreement that state how many kilometres you are “allowed” to drive the car each year. If you go over that amount, you will have to pay additional fees when you return it.</p>	<p>The seller sets the price; you and the seller can negotiate the price and/or additional terms.</p>
<p>You don’t always get to choose the type of vehicle they give you.</p>	<p>You have a choice of the type of vehicle.</p>	<p>You have a choice of the type of vehicle.</p>
<p>When the rental term is complete, you must return it to the rental company.</p>	<p>When the lease term is complete, you must either return the vehicle to the company you leased it from and owe nothing OR opt for a lease buyout.</p>	<p>When your financing term is complete, you own the vehicle (if you buy the vehicle in cash, you own the vehicle immediately).</p>
<p>You owe nothing once you return it but you may have to pay additional fees if the car is returned with damage. You are responsible for gas, but not routine maintenance (i.e. oil changes, brakes, etc.) You may also be charged for any extra kilometers driven if there is a limit in the rental agreement.</p>	<p>You must take care of it as if you own it (make repairs, routine maintenance i.e., oil changes, brakes etc.) If you don’t purchase the vehicle at the end of your lease, you must return it and pay for any damages and/or additional mileage.</p>	<p>You must take care of it (make repairs, routine maintenance i.e., oil changes, brakes etc.).</p>

As with any contract, make sure you fully understand what you are being asked to agree to and that you are given a breakdown of the total cost of the product or service including the taxes, interest, and any other fees. Make sure you understand the cost of any extras they may offer you like extended warranties, additional insurance, specialty coverage (leather seat repair, etc.) Remember, you are not required to buy these products as a condition of purchase. Always take your time to understand what you are paying for and don’t feel pressured.

Buying vs. Leasing: How much will it cost?

Buying a big-ticket item, like a vehicle, is a major purchase.

For many people, a vehicle is more than just a fun way to get from A to B. It's often an expression of personal style, a bit of a status symbol, and represents freedom. Of course, it's important to remember that it's also a major financial commitment.

Use the Government of Canada's [Vehicle Lease or Buy Calculator](https://ic.gc.ca/app/scr/oca-bc/ssc/vehicle.html) to help you compare the cost of a new \$30,000 vehicle over a 5-year financing term.

Links:

Vehicle Lease or Buy Calculator – <https://ic.gc.ca/app/scr/oca-bc/ssc/vehicle.html>

Financing a Car – <https://www.canada.ca/en/financial-consumer-agency/services/loans/financing-car.html>

Research your own amounts or use these as a guide:

Selling price of the vehicle (also known as sale or pre-tax selling price – price before taxes, fees and interest is added): **\$30,000**

Tax Rate in NB: **15% HST**

Down Payment (amount of money you might pay at the beginning of your contract to lower the total cost of the loan/lease): **\$0.00**

Number of Months (also known as term – length of time you will make payments): **60 (5 years)**

Interest Rate (amount of money the lender charges the borrower – calculated as a percentage of the loan/lease): **6.99%**

Residual Value/Buyout (amount dealer tells you the vehicle is worth at the end of your term): **\$12,000**

FINANCE

Sale price:

Monthly payment:

Total investment (monthly payment x 60):

FINANCE WITH DOWN PAYMENT

(now recalculate how much you would be paying with a down payment of \$5,000)

Down payment:

Sale price:

Monthly payment:

Total investment [(monthly payment x 60) + down payment]:

LEASE

Sale price:

Monthly payment:

Total investment (monthly payment x 60):

Residual value at end of term (without buying out lease):

LEASE WITH DOWN PAYMENT

(now recalculate how much you would be paying with a down payment of \$5,000)

Down payment:

Sale price:

Monthly payment:

Total investment [(monthly payment x 60) + down payment]:

Residual value at end of term (without buying out the lease):

Bottom Line

Fill in the total investment for each option:

Finance – no down payment

Lease – no down payment

Finance – down payment

Lease – down payment

Q: Which option is best for a short-term budget?

A:

Q: Which option is best for a long-term budget?

A:

BONUS: BUYING vs. RENTING – Property

What about when you are deciding where to live? How much does it cost to buy a house versus renting a house or apartment in the long run? Use the Canadian Mortgage and Housing Corporation's [Affordability Calculator](#) to help you compare the cost of renting versus buying when it comes to places to live.

Links:

Affordability Calculator – <https://www.cmhc-schl.gc.ca/en/consumers/home-buying/calculators/affordability-calculator>

Buying a Home – <https://www.canada.ca/en/financial-consumer-agency/services/buying-home.html>

Renting your first apartment or house – <https://www.canada.ca/en/financial-consumer-agency/services/renting-first-apartment.html>