

## Is It Better To Buy or Lease?

**Scott A. T.:** Broadcasting from One Dallas Tower, welcome to the Financial Rock Star show. I'm your host Scott Alan Turner, ready to help you get out of debt, save more money, and retire early. In the studio with me is producer Jet filling in for Katie while she's on vacation. On the show today I'll be answering your questions on money, business, and life. If you have a question you'd like answered on the show, visit [goaskscott.com](http://goaskscott.com).

Got some new neighbors moving in. Well, they did just move in next door. They didn't buy the house, they are leasing the house, probably for a year. We went over there and looked at the flyer when it was up. Toyota, North America is moving in and bringing 20,000 jobs to the area. A bunch of new people are coming in. There's a lot of opportunity to rent temporarily, lease, find out where you want to live before dumping a bunch of money on a house you may not be familiar with the neighborhood. Better they rent or lease a house for six or twelve months. Get the lay of the land, figure out the schools, the stores, access to the highways. How long's it going to take you to get to the airport?

One road near our house has been under construction for three years now. No signs of being finished. It's a traffic nightmare. You would not want to live north of that and then take this road into Toyota headquarters. You'd be in traffic 30-60 minutes every day each way, even if you live five miles from work. You got to scope that stuff out first.

I also saw the furniture truck pulling up to, with a big sign on the side of it, "Rental. Furniture rental." Sofa and chair sitting on the street waiting to be moved into the house. Leasing furniture is terrible for your finances. I can prove it, and I did prove it in about three minutes online, which I'll share in a second. How do you answer the question, "Is it better to buy or lease?" Think on that. We're going to come back to that in a second.

When I talk about buying individual stocks there's a shift, huh. Leasing stocks. When I talk about buying individual stocks and the problems associated with that, it comes from two points of view. One, is personal experience. The other is from data and academic research showing, the majority of the time, most people lose money buying individual stocks. That's why part of my financial philosophy is don't do that, because you're going to end up losing compared to being a boring investor. That's a debate that you can have with people. People have beliefs in that camp one or the other.

Leasing is the same thing. People have beliefs in that one way or the other. Of course, all the people that are selling leases, they're all for it. Then there's people out there saying, "No, no. Never lease. Leasing is a terrible idea." Could you explain why? Why is leasing a terrible idea? Most of us would say, "Well, it costs more and you don't end up with anything at the end of the lease." Some of you may have leased a car and gone in at the end of the lease, turned it in, ended up paying a bunch more money that you hadn't planned on doing because of wear and tear and the silly things that they've thrown in at the end of the lease terms to jack up the price of their profits.

Is it a blanket financial philosophy you've bought into based on things you heard, things you've read, maybe how you're brought up, first learned about money, while not really understanding all the in's and out's of leasing? Let's get back to furniture. Told you I spent three minutes online proving leasing furniture was terrible for your finances. I just went to Rent-A-Center, I picked a sofa and love-seat that are on the home page. I didn't scroll. Here's it is on the homepage. 90 days, same as cash. Price was \$899. I Googled the exact same brand of sofa, found it for sale for \$409. That was just the sofa. Couldn't find the love-seat, but I can get two sofas for \$818, which is \$80 less if I buy it without even negotiating. Yeah, it's two sofas versus a sofa and a love-seat but a love-seat's smaller so it should cost less than \$818. You can rent it 20 bucks a week. The total price comes out to \$1800. That's \$1,000 more if I

were to just buy it outright.

I did this in five minutes. It's a no-brainer. Renting furniture and stuff like that is terrible. If you want to lease furniture, just buy it off Craigslist, use it for a while, and then re-sell it on Craigslist. You'd probably end up breaking even most of the time.

This topic came about because I was talking with Katie's uncle the other day. Her cousin rides horses. He said, "You can lease a horse." I said, "Really? You can lease a horse?" I had to go do a little research on this. You can lease a horse for \$200, this is read from what I found. Full lease for \$200 a month, we'll reserve five days per week for your exclusive use of the horse. Full leases require that you also help contribute to the cost of the feed, hay, or routine ferrier, I don't know what that is, and healthcare, which will vary according to the horse's needs. \$200 a month to lease a horse.

Did a little bit more Google research. A horse might cost you \$10,000, but you could lease one for \$2500 a year. I would think, in this case, it's a brilliant idea to lease a horse and try it out for a year. See if you want to even own it for any long period of time, rather than take a couple trail rides over the course of the summer and say, "Oh, we got to go buy a horse. Let's go drop ten grand on it." You don't know about all the maintenance and everything else that goes on with it. If you can lease it, you can try it out for, I don't know how long the lease terms are, couple months, six months, twelve months, whatever they are. Then, at the end of the year, make an educated decision based on your behavior. Are you using the horse every day? Are you not? Is it just sitting there not being exercised?

How about business equipment? Buy or lease? If you're starting a business, you need a 3d printer or manufacturing equipment like the Big Gear, you probably don't have \$250,000 or a million dollars to pony up and buy it. You lease it you have less initial expense, you can deduct the taxes on the lease, there's flexible terms on the lease which you can negotiate, easier to upgrade your equipment if you're going to swap it out every couple three years. Medical equipment, stuff like that. Some of the goes obsolete. Newer technology comes out.

What about the cons for leasing business equipment? Higher overall cost, definitely. Leases are more expensive than if you just buy something outright, usually. You're also not building any equity. That's the big issue with car leases, which are a terrible idea. It's like furniture. You don't build up any equity. You're constantly paying for a car month after month, year after year, decade after decade, over your life. You don't build up any equity. You always got a car payment.

Also, when it comes to equipment, you're stuck with the equipment for the lease term. If you rent something for three years, that's three years worth of payments you're going to make. Now, if you're leasing an apartment, typically you can get out of an apartment lease with a couple of months penalty. Equipment, I'm not sure how that works.

What about buying equipment? If you own it, it's great if it has a long and useful life. Piece of farm equipment, for example. A eighteen wheeler tractor truck driving thing. The cabs, the things with the engine. If you bought that outright you can drive it for four or five hundred thousand miles. I don't know what they are called. The front-end of an eighteen wheeler. Anyway, tax incentives if you're buying something. You can deduct some of the purchase price, depending on the type of equipment. There's the depreciation deduction.

Con's, of course, if you're buying something outright, it's going to cost more. It's a bigger upfront expense. Also, you're stuck with whatever you buy. If you bought a 3d printer, that is going to be obsolete in two years, maybe even

one. Also, harder to re-sell. In newer models, this is really true of TVs, newer models are going to be cheaper in three years. We'll get TVs that were out a couple years ago that may have cost five, six thousand dollars when they came out. Today you can get them for 800 bucks at Costco.

Computers, buy or lease? What if you buy a new computer every two years? Is it better for you to buy or lease a computer, either for your personal life or for your business if you're going to swap them out constantly, if you're not somebody who keeps the computer for five or seven years? How about cell phones? What do you think about cellphones? Cell phones, as a whole market, we're going to be renting them soon. Some of the cell phone providers are already doing this. You're paying a monthly fee and you get a free upgrade every one year, two years, or every few months. What's better? Buying it outright for the phone or paying a higher monthly charge? Well, you got to run the numbers. How long do you typically keep your phone? Do you get a new phone every two years?

Here's what I know. The people who are doing the leasing, the leasers, they are not losing money. The ones doing the leasing, the providers, they have done the math. If the provider has a lease, they are going to make money, they are going to make a profit. Which means you are going to lose money. That's the math of it, simple math. If I make a profit, somebody has to give me money in excess of my costs so that I could make the profit. Otherwise, I can't be in business. It's okay to make a profit, that's capitalism, that's business. We don't use the barter system in our economy. I don't barter for groceries, I pay for them, grocery makes a profit. Question is, do you pay more if you lease or buy something outright if you intend to hold on to it for a long period of time or resell it later to recoup some of your costs? Which will leave you with more money in your pocket, rather than the person doing the leasing.

Might not always be about money. Getting back to leasing a house. Costs you more to lease a house, probably, because you're not building any equity, but you get the flexibility in deciding where you ultimately might want to own a house. Leasing a horse gives you a chance to see if you want to own a horse. You might decide that you don't want to own a horse. I don't want to own a horse. You might fall in love with horses after going on a few trail rides. I'd never suggest you go out and drop ten grand to buy a horse, though. Lease it for six months. How about an RV? A lot of people want to do RVing. I want to do RVing. Maybe I'd lease one for a summer, or rent one for two or three weeks, before going all in and spending a hundred to two hundred thousand dollars on an RV. RVing seems like fun to me, but I don't know. I don't want to drop a quarter million without renting one for a long period of time to test it out first.

You need an automobile. You'll drive one for life. Makes a little sense to lease a car and have nothing to show for it. RV? Either way. I haven't run the numbers or even looked into it. Cars I've researched. A car, I own, and I've owned since high school. If I'm going to drive, I know I'll come out ahead, but I threw that curveball at you. Is it better to buy or lease? Well, there are times when you might consider leasing. It's not always a bad thing.

Kristen needs to minimize monthly costs to get ahead. She writes,

**Kristen:** "What are the best ways to minimize monthly costs in order to actually get ahead, such as paying of debts, saving, or investing." Hands down, Kristen, the cash budget with the envelope system is the best way to get ahead, the best way. It is the best way. You start the beginning of each month figuring out where's my money going to go this month. You plan, "This dollar's going to go over here, that dollar's going to go over here, we're going to pay the utilities, I'm going to spend this much on eating out or not because I really want to buckle down and save some money. Then I'm going to run out to the bank at the ATM, take that money out in cash," because cash has a greater effect on your spending habits because it hurts to spend cash. Much more than whipping out a credit card or debit card. Credit cards, much more easier because that's money that doesn't even seem like money. We have to pay it someday. For some people, someday is never. They're never going to pay it off, or at least they'll pay it off years down the road.

**Scott A. T.:** When you work with cash, especially at the grocery store, you walk in, "Well, I've got \$100 to spend on groceries. I guess I can only buy \$100 worth of groceries. I'm not going to buy x, y, or z, whatever your weakness happens to be, or something you don't normally buy but you decide to. I walk buy the refrigerator section, sometimes I grab the thing of English muffins. I hardly ever eat English muffins, but if I don't have a shopping list and I don't have my cash, might throw them in the bag. The chip aisle, I go through the chip aisle, just load up the shopping cart with a bunch of chips. If you have limited cash, you think about those things beforehand. In all aspects of your life; your groceries, your food, your personal shopping, your clothing. It makes you a better spender and more aware of what you're spending money on. It heals you as a person who's trying to recover from getting out of debt, or saving more, or investing more.

If you want to minimize your monthly costs, you just got to go crazy on the expenses and question everything. Look at the credit card statements, look at the banking statements, look at all your receipts, your big ticket items and your little ticket items. When I first started doing this stuff, I knocked out a thousand dollars savings in my first year. Some of that became the basis for the save a thousand dollars in one week guide. When you start looking at everything and questioning it, "Can I get a discount on this? Can I buy this for less money? Do I really need this?" Really question everything. "Do I need the HBO subscription?" If you watch it once a month, now, cancel it. If you watch it everyday, well what is your greater priority? Is it getting out of debt? Is it saving money? Is it investing? Is it retiring early? Is it watching Game of Thrones?

It might be Game of Thrones. That's a personal decision. No, I'd probably cancel it. You can always buy more stuff. You can always get more stuff later. You can always watch Game of Thrones when it comes out on Amazon Prime for free in six to twelve months, whenever that is. You can do all that stuff once you're debt free. Being debt free, I guarantee you, it's more important than anything you're buying or spending money on right now. Thanks, Kristen, for the question.

Chianti needs a financial turnaround. She says,

**Chianti:** "I'm a single mother with a bachelor's degree working for an oil and gas company. While the money is decent, the bills and student loans are constantly rolling in, and we aren't getting any raises due to the downward turn of the industry. I'm looking for a way to stay home with my son to be able to have more one-on-one time with him. Currently nine, and by middle school, I would like to be able to work from home without having to struggle financially. While I know this does take work for a financial turnaround, I've been praying for different ways. I was going to start working on transcriptionist work through the government but can't afford the school to receive the certificate. Again, they wanted this single mother to contribute globs of money to tuition that I just can't afford. There goes that dream.

Right now, I'm on the route to paying off my vehicle. I'm close, but feel so far. I'm not into the material things and can go without. I got rid of my cable because the bill was entirely too high. Who has time to watch garbage reality television anyway?" So true. "I couldn't even keep up with the large amount of television shows on anyway. Now I steam from my Amazon fire-stick and it works great. What I'm trying to say is I'm not into the material things and can definitely go without. I'm sure I can go without some other things as well, just don't know how to go about doing it."

**Scott A. T.:** I love it when people take a stand and say, "I am done sitting around waiting for a better life." You got the nudge, Chianti, in the right direction, you just need a good map. Let's start with a question. That is, what is the price of your dreams? I don't know what your school certificate costs. I did a little bit of research, but there's all kinds of certificates out there, so I'm not entirely sure. Compared to a four year degree, a certificate program is probably a

much smaller amount. I'll use my wife's MBA as an example. That was \$10,000, or something. I'm going to use that as a starting point. Let's also say, "Hey, the certificate is going to take 18 months to knock out."

Middle school starts at age 11 or 12, so you'll have to have a job or a degree in three years to meet that goal. It's 18 months to get a degree, it gives you 18 months to save up before you start going to school. Then you can pay as you go. Remember, when you're saving up, you're not dumping down a big lump sum all at once. It'll probably take you two and a half years between starting now if you're going to pay for that new degree, new certificate, out of pocket. Well, it's 30 months. If it's ten grand, it's going to take us 30 months, that's \$333 a month you've got to come up with if you didn't take out any loans. You got to pay taxes on that, let's call it \$400 a month. That's \$100 extra a week you would need to come up with starting now, for the next two and a half years to get your degree so that at the three year mark, when your son goes off to middle school, you're ready to go to work somewhere else in a new industry.

\$100 a week, \$10 an hour, 10 hours a week extra you're going to have to work for two and a half years to finance that degree, and you got to keep in mind you have to study on that. Ask yourself, "Is working ten hours extra a week for three years, two and a half years, is that doable?" It doesn't guarantee you get a new job, but you will have the degree in that time. I've made all kinds of assumptions in this, as well. 18 months for a degree, the cost of the degree, ten grand, \$10 an hour part-time. The point is, when you break it down into bite-sized chunks, it's not as overwhelming than thinking, "This degree is real expensive. How am I going to do it?" The number's not so large. It's not so daunting. It is doable, I would argue, and that's if you were paying for it in cash, working an extra job to pay for it.

If you finance it, not saying you should, but if you choose to, it's also very doable as well. I don't know if I'd go there because you already said you got student loans and you want to make sure your financial house is in order before burdening yourself with more debt. Keep working on getting the car paid off like you are, very important. Any credit card debt. get them knocked out. Perhaps you can defer your current student loans while you're getting another degree as another possibility. Interest might pile up but you have to weigh the cost of that added interest versus the time you want to spend with your son.

The most important thing you could do first, as a first step, is to get some dates and a plan in place. Start with what you want, figure out how to make it happen. Is it working extra? Is it moving into a smaller place, where you live? I don't know if you live in an apartment or a home. Is it getting the degree over three years, or two years, or eighteen months? The only limits you have are those you place on yourself. You mentioned going without some other things as well.

Make sure you're tracking your expenses each month, either on a piece of paper, using your debit card statements, your credit card statements, with a free online tool like Mint.com, just so you know where your money is going and see how much different things in different categories are costing you. You found out cable was a giant waste, maybe you're spending hundreds of dollars a month eating out lunch or getting a snack vending machine each day at work. Without tracking it, you'll never know. Do those couple things, that is going to get you on the path to where you want to go. Spending more time with your son. Thanks, Chianti, for the question.

My poor old mom did not receive her flowers on a recent holiday. Thank you 1-800-Flowers. Ordered online, in a short amount of time. The holiday was coming up, but they said on the homepage of the website, "Guaranteed delivery." The holiday was on a Sunday. It wasn't until the following Wednesday I received an email saying, "Hey, we're sorry. Here's a \$20 coupon." I'm like, "Sorry for what?" I had called my mom on that Sunday and she didn't

mention receiving anything, which was odd. Normally she thanks me for flowers when I send her something, or a gift, or a card. She didn't say anything so I didn't mention it. It wasn't until the following Wednesday that I found out, "Well, no wonder she didn't mention it," because 1-800-Flowers did not come through.

What is a person to do? What have we learned on the show? You go straight to the top. Straight to the top. I waste no time with customer service, so I whipped out my, not pen and paper, laptop, and wrote a letter to the CEO. I have not heard back yet, but I'm going to share with you what I wrote so you get an idea of how you can get some results. Here it says, and I explained this in a previous show, you look online at the website for the investor relations section. You're looking for something called a 10k or a 10 Q, the investor report, because that has the physical address of the headquarters and the CEO of the headquarters. I looked that up, took me a couple minutes, wrote my letter to a guy named Mr. Mccann of 1-800-Flowers.

Says, "I rely on 1-800-Flowers every year on the holiday, sometimes other holidays, and have never had an issue in the past. I am deeply disappointed. My mom not only did not receive her flowers," I gave the date, "But I was also not even notified of the problem or that the order had been cancelled until a couple days later. While I did receive a \$20 coupon on Tuesday, there was no indication the order was cancelled or delayed. The email notification is attached. You can also see where there appears to be Chinese characters in that text. It was only after spending 21 minutes on the phone on Wednesday, did I find out my order was cancelled.

I kindly request the order be fulfilled at no charge, due to the poor," parenthesis no, "communication during this instant. Both the order number, receipt, address, and product description are in the attached documentation. As the host of the popular personal Financial Rock Star, I look forward to sharing the outcome of this story with my listeners. I hope you can resolve this quickly, and thank you for your time." Then I signed it.

We'll see what becomes of it. I was clear, concise, I didn't complain. I said, "Here are the facts, here's how I want you to resolve it. I was kind, I was polite but firm. You got to say what the facts are and say what you want the resolution to be. Then I used the leverage of the show. Here you're thinking, "I don't have any kind of leverage." Sure you do. Your leverage is exactly the same thing. This show. Threaten to write in to any show that you want. Maybe you'll get it on the air. Who knows what's going to happen. Use whatever resources you have. Polite but firm. I'll keep you updated when I get the results in from their response. Hopefully they give me one. Let's head to the phones.

**Joliene:** Hi, Scott. This is Jolene from Winter Haven, Florida. I love your show. I wanted to know if you could help me figure out what to do with my credit cards. I currently have five, and while I think I can keep up with them all, I feel like I'm deluding my rewards if I tried to use them all at the same time. I don't carry a balance, so that's not the problem. Right now I have the Chase Freedom, the Freedom Unlimited, the Citi Double Cash, the American Express Blue Cash Everyday, and the Barclay Arrival No Annual Fee Card. I'd like to keep the Arrival card active, as it's my only no-foreign transaction fee card. Can you help me decide what card or cards to use the most?

I like simplicity and I've used the card totals at NerdWallet and creditcardtuneup.com to help but they don't match. NerdWallet says the Citi Double Cash card is best for me, but Credit Card Tune-Up says the American Express Everyday and the Barclay Arrival should be my main cards. What do you think? Also, is five credit cards too many? How many credit cards do you think people should have? Thanks for all you do.

**Scott A. T.:** Thanks for listening to the show, Jolene. Let me give you a little analogy. Let's use airline credit cards. Let's say you were in a major hub. I don't know if Winterhaven, Florida, what airports are near. You're near a major hub and

you've got five different airlines, so you go out and buy five airline credit cards, one for each of the airlines you're going to travel depending on which airfare is cheapest. If you go that route you might never accumulate enough points on any of your cards to make it worthwhile. That's a little different than a credit card where you're getting cash-back awards because normally you could cash those out every month or periodically. You can build up little amounts of rewards on each of those, even though you're spreading yourself too thin.

If you go and find a credit card hacker, like a travel hacker, I'm sure they're out there. They probably got 20 or maybe even 50 credit cards in a system that works. That's not me. I'm not an extreme couponer, I'm not an extreme credit card hacker, if they exist, I'm assuming they do. If you've got five credit cards, and I'm coming in at this from a purely simplicity standpoint, not math and not maximizing rewards. Have two or three, and then pick where you want to use them if you're getting conflicting data from NerdWallet and CreditCardTuneUp. AMEX Blue for food and gas, for example. Citi Double for everything else. Then you got your travel card for your travel and no-foreign transaction fees. I like simplicity in life. Really, it's not that big of a deal if you got two, three, four, five credit cards to pick from at the checkout line. It's not really making your life super complex or adding a lot of time to your life deciding what to do.

It's different then if you've got, like in my neighborhood, where I've got Walmart and Kroger as a shopping grocery store next door to each other. I don't go to Walmart and buy some items, and then look at the Kroger flyer and drive across the street so that I can save fifty cents on a bag of rice or something. I go into Walmart and buy everything because it's simple to me.

Is five credit cards too many, and how many should you have? Too many only becomes a factor when you're trying to get a loan or something, trying to take out a mortgage. If a lender sees you have fifty credit cards open, fifty credit cards with an open line of credit. If you've got, make a number, a million dollars open line of credit on fifty different credit cards, they're going to get worried. They might not give you a loan unless you got a half million dollar salary and you're just trying to buy a \$150,000 house. You can see that it depends on the situation. You only got five. That's reasonable.

Here's what works for me. I do this for simplicity, again. Not to squeak out a few extra rewards each year on my card. I'm probably costing myself money, but I'm okay with that. I've got my travel card, and then I've got two other credit cards, and that works for me. My suggestion, not based on math, just have three cards total. You can use your Barclay's for the international travel, probably the Blue and the Citi Double. I wouldn't cancel the others. Maybe you just try that system for three months, for those three cards, and you compare it. If you like to, you run tests, then you switch to the other two cards for three months and then compare the results.

If you're completely insane, if you're a nut, you take the last six months of your credit card transactions. You can load them all into a Google spreadsheet, categorize them, and then calculate the rewards you would have gotten using each card based on your specific situation. Again, because you're getting that conflicting data from those two websites. That sounds crazy to me. It sounds like the crazy coupon lady move right there, but that would give you the answer to that question as to which ones are best. Thanks Jolene for the question.

If you have a shotgun, one of the benefits of it is that it outputs multiple projectiles out of the barrel at one time. Compare that to a rifle, which shoots out only one, a single bullet. Shotgun doesn't require good aim. You pull the trigger in the general vicinity, and you're bound to hit something. You will hit a lot of something. Maybe something that you don't even want to hit, but it'll hit it. Rifle, on the other hand, requires great accuracy, or it has great accuracy. You have a slow, steady hand, you aim, get down in near the scope. It's hard to hit the bulls-eye though,

even at 20 yards away, 20 meters, my international listeners. If you have no target, no goals, and take aim, you will hit nothing a hundred percent of the time. If you have a shotgun and pull the trigger in the general direction of a target, you'll ding it a few times, you may even knock it down for a minute, but you're not going to do serious damage to it.

You take a sniper rifle, check the wind, the heat from the sun, you zero in on that watermelon positioned a mile away. I don't know how many meters that is for my international folks. Check the sunshine again, the wind again. You can blast that piece of fruit into a thousand pieces, a sniper could anyway. I couldn't hit the side of a barn with a rifle a mile away. If you want to destroy a watermelon from far away, use a rifle. Those are the words. Line of thinking didn't pan out on that one.

Hey, they can't all be winners. Sometimes you just have to laugh instead. That's it for this episode. I'm your host Scott Alan Turner, rock star Jet is with me today. That's a producer. All the links mentioned in the show are available on the show at [ScottAlanTurner.com](http://ScottAlanTurner.com). If you have a question you'd like answered on the show, visit [goaskscott.com](http://goaskscott.com). Leave me a voice-mail. Thanks for listening.