



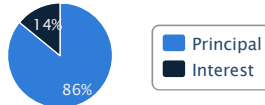
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## Lease Calculator

Fix Rate	Fix Payment
Product/Property Value	<input type="text" value="2906"/>
Residual Value	<input type="text" value="0"/>
Lease Term	<input type="text" value="0"/> years <input type="text" value="48"/> months
Monthly Payment	<input type="text" value="70.51"/>
<input type="button" value="Calculate"/>	

### Result

**Interest/Return Rate** 7.681%  
 Total of 48 Monthly Payments \$3,384.48  
 Total Interest \$478.48



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### What is a Lease?

A lease is a contract made for the use of an asset. It is made between a lessor (the owner of the asset) and a lessee (the person who wants to use the asset).

You will hear the most about leasing houses and cars, but you can lease anything. Businesses routinely lease all sort of equipment, because the effect on the bottom line and on tax is favorable.

There is a considerable difference between leasing an asset and renting it. A lease contract is a strictly binding business agreement. The two parties make the agreement and neither one can deviate from its terms (without some very exceptional reason). Lease an apartment for three years, and you owe the rent on that apartment for the next three years month by month, and if you don't pay it, you will incur serious penalties.

This is very different from renting an apartment. Most rental contracts are covered by much more considerate terms for the tenant, who can move out early; arrange late payment in some cases, etc. That is why it is unusual for a landlord to lease an apartment to an individual – the laws covering rental contracts are better protection for both tenant and landlord. However, should a business seek an apartment to use, perhaps, for executives who visit the city from time to time, a leasing agreement might be favorable.

When agreeing to a lease, you will almost certainly be asked to make a deposit to cover risk of damages and non-payment. It should be clearly stated in the lease that the deposit is refundable.

### Leasing a Car

The most common form of leasing seen today is automobile leasing. This is not because leasing a car is cheaper than buying one – on the contrary, overall it's more expensive. But auto leasing has two principal benefits that make it very popular despite the expense: You can always drive a fairly new car, and it's always under warranty; and, for the same budget, you can often get a larger, more luxurious, better-equipped car.

When you lease, there are many factors to consider: The initial down payment, the amount of the monthly payment, the time of the lease (this is usually three years in the U.S., but it is possible to lease for six years), the mileage you can drive every year, etc.

Your monthly payment is based on the difference between the cost of the automobile ("transaction price" or its "capitalized cost") when it's new, and what the car is forecast to be worth at the end of the leasing period – this is called the "residual value." This difference is financed at a particular rate of interest which is sometimes called the "leasing rate. You may also have to put down a security deposit (this is usually one month's payment). There can be additional charges that the dealer may impose, so you should discuss all the financing carefully before agreeing to an automobile leasing contract.

### Business Leasing

A business leasing equipment is more like a consumer leasing a car: The business pays a monthly fee for the use of the asset, and at the end of the lease period, the business can purchase the asset at residual value. Sometimes an agreement is made for such a purchase at a fixed value at the beginning of the lease. At other times, businesses can simply stop leasing, or continue leasing the equipment.

The advantages to the business are considerable. The business can acquire and use expensive equipment while paying only a fraction of its cost upfront. Lease payments are also tax deductible as a business expense. Further, once the lease is over, the business can lease new equipment, obtaining it again without having to pay out for it.

### Leasing Real Estate

Leasing real estate usually involves a business that seeks office space, or land, or a factory. It is rare for private individuals to lease real estate because, as we have seen, renting is much more favorable to both landlord and tenant.

### Financial Calculators

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