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Lease Calculator

Fixed Rate		Fixed Pay	
Asset Value	<input type="text" value="2208.02"/>	Result	
Residual Value	<input type="text" value="0"/>	Interest/Return Rate	14.999%
Lease Term	<input type="text" value="4"/> years <input type="text" value="0"/> months	Total of 48 Monthly Payments	\$2,949.60
Monthly Payment	<input type="text" value="61.45"/>	Total Interest	\$741.58
Calculate			

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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). Leasing is often associated with houses, apartments, and cars, but mostly anything that can be owned can be leased. Other examples of leasable items include storage, conveyor belts, lighting, furnishings, software, server hardware, aircraft, and cleaning equipment. Although they are often used interchangeably regarding their respective definitions, lease and rent mean different things. By definition, a lease refers to the contractual agreement or contract itself, while rent is the periodic payment for the use of an asset.

Residual Value

Residual value, sometimes called salvage value, is an estimate of how much an asset will be worth at the end of its lease. As an example, a car worth \$20,000 being leased for 3 years can have a residual value of \$10,000 when the lease ends. For most assets, the longer the lease period, the lower the residual value. Residual value is also often used to refer to the value of an asset after depreciation. For more information or to do calculations involving depreciation, use the [Depreciation Calculator](#).

Leasing a Car

Auto leases enable people to drive new cars while under warranty for short term without the financial burden associated with new car purchases. However, it generally costs more to lease a new car for a specific time period rather than owning it (assuming the cost of ownership is prorated over its expected life). Leasing used cars is possible, but not as prevalent. There are many factors to consider in an auto lease, such as the initial down payment, the amount of the monthly payment, the term of the lease (this is usually three years in the U.S., but it is possible to lease longer), and the average accumulated miles in a year.

Monthly payments are based on the difference between the cost of the new automobile (transaction price or capitalized cost), and what the car is forecasted to be worth at the end of the leasing period (residual value). This difference is financed at a particular rate of interest which is called the leasing rate. Security deposits will most likely be required at signing. Additional charges may be imposed by dealers, so discuss all financing carefully before agreeing to a car leasing contract. For more information or to do calculations regarding auto leases, use the [Auto Lease Calculator](#).

Business Leasing

Businesses leasing equipment is akin to consumers leasing cars: they both pay a monthly fee for the use of the asset, and at the end of the lease period, may have the option to 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. Alternatively, businesses can part ways with the asset after the lease ends, or continue leasing the equipment.

Business leases are advantageous in several ways. They can acquire and use expensive equipment while paying only a fraction of their cost upfront, which is beneficial for new businesses that do not have a lot of initial capital. Most importantly, lease payments that are considered operating leases are tax-deductible as a business expense. Large companies can hold leases totaling millions or even billions in machinery, equipment, factories, and other assets. When these operating leases are deducted come tax time, they can result in drastic reductions on subsequent tax bills.

Leasing Real Estate

For the most part, the term commercial real estate leasing is interchangeable with renting. Leasing real estate generally involves a business seeking office space, land, or a factory. Leasing real estate can be different in that the residual value is often higher than when the lease starts, due to asset appreciation. One key

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