

**Comparing Financial Options: Buy, Rent or Lease**

1. A landscaping company needs a small tractor to use from March to November. Based on the costs below, should the company buy, rent or lease?

A) A new tractor costs \$18600 and can be financed at 5.6%, compounded monthly, with monthly payments for 9 months.

N =	FV =
I =	P/Y =
PV =	C/Y =
PMT =	END

The monthly payment on the loan is \_\_\_\_\_.

The total paid for the tractor is \_\_\_\_\_.

B) Renting a tractor will cost \$60 a day (assume 20 working days per month)

The total cost to rent the tractor for 9 months is \_\_\_\_\_.

C) Leasing costs are \$2000 down and \$1345 per month for 9 months.

The total cost to lease the tractor for 9 months is \_\_\_\_\_.

2. Joe is a house painter and needs scaffolding for his next job. Consider his options below:

A) Buy new scaffolding for \$1200 + 12% PST/GST.

Cost: \_\_\_\_\_

B) Rent steel scaffolding for \$340 per month.

Cost: \_\_\_\_\_

C) Buy used scaffolding at 60% of the purchase price when new.

Cost: \_\_\_\_\_

If the job will take 3 months to complete, which of the options is better for Joe? \_\_\_\_\_

If the job will take 6 months to complete, which of the options is better for Joe? \_\_\_\_\_

3. Jake and Archie are looking for places to live.

- Jake decides to rent a house for \$1400 per month
- Archie buys a house for \$189 900, with a down payment of 10%. The bank has offered Archie a 20-year mortgage for the remainder of the cost, at 4% compounded semi-annually, with monthly payments.

Jake and Archie both move after 5 years. Compare Jake's and Archie's housing costs.

Jake:

Total cost for 5 years: \_\_\_\_\_

Archie:

a) What is the down payment, and what is the value of the mortgage?

b) What is the monthly payment?

N =	FV =
I =	P/Y =
PV =	C/Y =
PMT =	END BEGIN

c) What is the total amount paid on the mortgage after 5 years?

d) What is the balance of the mortgage (amount still owing) after 5 years?

N =	FV =
I =	P/Y =
PV =	C/Y =
PMT =	END BEGIN

e) How much will Archie profit after selling his house and paying off the remainder of his mortgage?

f) What is the total cost to Archie after 5 years (including the down payment and mortgage payments, less the profit from the sale)?

Total cost for 5 years: \_\_\_\_\_

Are there any other costs associated with buying/owning/selling a house that were not considered?