Paper Title

Name

Name of Institution

Buying a Car Cash Compare to Loan

Besides buying a home, buying a car is also one of the biggest financial decisions that an individual makes in his life. After doing the fun things like the color and model of the car, the next tough decision is financing the car. While some people prefer to buy cars on cash, there are others who prefer to take loan from different sources and then they purchase the car.

As far as cash is concerned it is the simplest way of financing the car. Simply go to the market, choose the car and pay the amount and bring it home. There is no doubt that in face value it is the cheapest way of financing. In this case the customer pays the bill and then he does not have to worry about monthly payments over a few years and also the interest rate on the loan. Because when you purchase a car on loan, that means you have to pay the monthly interests as well. Paying interest for something that is losing its value over the time means that you are losing your money in two directions (“Ask An Expert: Buying a Car With Cash vs Financing - Stratton Finance Australia,” n.d.).

Having said that there are drawbacks with this method of finance as well. Which is, a car is a depreciating asset, that means, that the value of it is continuously dropping. Spending a lump of money on such thing is not a wise decision. Therefore, for other people taking car loan is the best suited method. Because in this case you can buy the car of your dreams and also you are not supposed to compromise on the quality of the car. You choose the car, apply for the loan and get it. But again it has its own disadvantages, due to the interest rate and also if you are unable to pay for it within the given time then your loan is also canceled along with taking back the car from you (“What’s Better Car Loan or Cash Payment?,” 2016).

In conclusion it is safe to say, that while both of the options are available for the customers and it is up to them to choose which ever option that best suits them. But paying in cash is a much safer option as compare to take loans. Because in this case you become owner of the car just in one go but you have to compromise on the quality of the car which is not the case in taking loan.

References

Ask An Expert: Buying a Car With Cash vs Financing - Stratton Finance Australia. (n.d.). Retrieved January 17, 2019, from https://www.strattonfinance.com.au/newsroom/ask-an-expert-buying-a-car-with-cash-vs-financing

What’s Better Car Loan or Cash Payment? | The Best Option for You. (2016, April 12). Retrieved January 17, 2019, from https://news.goauto.ca/car-loan-vs-cash-payment-whats-better/