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Should I Trade In My Vehicle While There Is Still Some Value In It?

We are often asked to advise on whether a client should upgrade their vehicle to a brand new one.

Reasons given for the change can include:

- selling while it's worth something
- reducing tax from higher depreciation claims on a new vehicle
- your old vehicle is costing too much in repairs and maintenance

You must also consider that your brand new vehicle will lose far more value in its first year than your old vehicle would if you had kept it an extra year. Yes, your tax will be reduced if you spend more, but for every \$1 extra the new vehicle costs you in depreciation and interest it will only save you 28c in tax -assuming this is in a company structure. In essence you are spending \$1 to save 28c. Your existing car costs a little more in repairs because it is older. Does it cost as much as the additional interest and loss in value of a brand new car? More often than not the answer is no.

The other option is leasing. The equation here is looking at what you would pay for a vehicle and then deducting what it would be worth as a trade-in in three years' time. This will give you a cost for the vehicle. Then add the cost of interest and match this against a lease cost for the period. You may also need to consider other costs e.g. is vehicle servicing included in the cost of the lease.

The other consideration is your brand and presenting a successful image of your company. Your vehicle can be an excellent way to advertise your business. We have gained clients through our branded car.

Vehicles are a cost to the business and just like other costs should be minimised to make more profit!

If you are contemplating changing vehicles and would like us to run through the numbers, please give me a call on (03) 755 8866.

