Your Lease Guide

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Benefits of Financing

There are many benefits of equipment financing including the following:

- ***100% Financing.*** Leasing covers 100% of the equipment cost with room to add soft costs including training, installation, and maintenance.
- ***No Down Payment.*** A security deposit equal to two months rental payments is usually all that is required.
- ***Possible tax savings*.*** If a company is in the 34% tax bracket and has a lease with a monthly payment of $500, the payment may be reduced to $330 - that's a monthly savings of $170 ($500 x 34%) or $2040 annually. *Consult your tax advisor.
- ***Flexibility.*** Customize a lease to fit your particular situation with skip payments or seasonal payments.
- ***Use inflation to your advantage.*** If you pay cash for your equipment, you pay with today's dollars at today's value. Through leasing, you pay with next year's inflated dollars, and the next, and the next.
- ***Increase profits immediately.*** With leasing, you only need to cover the monthly payment for the new equipment to be profitable from the first month. Example of the cost effectiveness of a lease:
  A monthly payment of $500 divided by 30 days = a daily cost of only $16.67! Divide $16.67 by 8 work-day hours to get an hourly cost of $2.36!
- ***Preserve bank credit lines.*** Leasing doesn't affect your bank borrowing limits. You still have 100% of your credit available.
- ***Avoid obsolescence.*** Upgrade Leases are easy with most modern equipment always available.
- ***Conserve working capital.*** Cash isn't tied up in overhead; it's free for income producing investments.
- ***Leases may have accounting benefits.*** Monthly payments may be deductible as operating expenses rather than accounting for the equipment as an asset.

Commonly Financed Equipment

Assist a company's growth through the acquisition and financing of nearly any equipment used for business purposes including:

- **Automobile lifts**
- **Automotive maintenance equipment**
- **Emissions testing equipment**
- **Cash registers**
- **Computer hardware**
- **Sanitation/ Janitorial Services**
- **Software**
- **Construction equipment**
- **Photography equipment**
- **Packaging and folding equipment**
- **Food service equipment**
- **Glass cutting machinery**
- **Graphic design equipment**
- **Heating and cooling equipment**
- **IT equipment**
- **Landscaping equipment**
- **Laundry equipment**
- **Lighting equipment**
- **Office equipment and furniture**
- **Telecommunication equipment**
- **Point of sale equipment**
- **Portable buildings**
- **Printers and laminators**
- **Test and measurement equipment**
- **Scanning machines**
- **Screen print systems**
- **Sign industry machines**
- **Stone cutting machinery**
- **Surveying Equipment**
- **Woodworking machinery**
- ***And much more!***

Payment Type & Features	Cash	Loan	Lease
Cash Flow	Buying has an immediate impact on cash flow by diminishing cash reserves.	Down payment required and loan payments are generally higher than lease payments.	No down payment required. Leasing usually has less impact on cash flow due to lower payments.
Line of Credit	Liquid assets are depleted and may affect credit.	Taps the line of credit.	Does not affect line of credit.
Equipment Risk	The owner bears all the risk of equipment devaluation. Obsolescence must be tracked by the owner.	The owner bears all the risk of equipment devaluation. Obsolescence must be tracked by the owner.	In many leases, the burden of taxes and insurance is managed by the lessor.
Asset Liability	Owners must manage asset liability on their books. Financial accounting requires owned equipment to appear as an asset with a corresponding liability on the balance sheet.	Owners must manage asset liability on their books and are required to have equipment appear as an asset with a corresponding liability on the balance sheet.	Operating lease assets are expensed. Such assets do not appear on the balance sheet, which can improve financial ratios.
Rate Risk	Cash should be used for income producing investments since you pay with today's dollars at today's value.	Banks prefer to loan money on a floating or variable rate tied to prime. Rate risk is on the customer, not the bank.	Payments are fixed for the lease term. Pay with next year's inflated dollars - take advantage of inflation.
Soft Costs	Soft costs such as installation, training can erode cash reserves.	Banks rarely finance soft costs. Cash is usually needed.	Leasing may cover all soft costs including maintenance and software.
Upgrade	Owners must manage disposal/selling of outdated equipment. This can slow down the upgrade process.	Owners must manage the disposal/selling of outdated equipment. This can slow down the upgrade process.	Leasing allows for easy upgrades or additions and keeps the same payment by simply extending the lease term.

$1 Buyout or Lease to Own

This non-tax lease allows the customer to own the equipment for $1 at the end of the lease. This lease will have the highest monthly payment. The following options are available at the end of the lease:

- Purchase the equipment for $1
- Upgrade the lease

This is a good option for equipment with a long useful life. Also called a capital lease and may be depreciated on the balance sheet.*

10% Purchase Upon Termination (PUT)

Under this non-tax lease, the customer must purchase the equipment at the end of the lease at 10% of the original equipment cost. The following options are available at the end of the lease:

- Purchase the equipment for 10% of the original cost
- Upgrade or renew the lease

This lease is also called a Capital Lease and may be depreciated on the balance sheet.*

Fair Market Value (FMV)

This lease provides the lowest monthly payment and has three options at the end of the lease:

- Purchase the equipment for the fair market value
- Return the equipment
- Upgrade or renew the lease

This is a good option for companies that upgrade to new equipment every few years. Also called a Tax Lease or True Lease because it usually qualifies as a tax deductible business expense. *

***All lessees should consult with their tax advisor on the specific impact to their business.**