



Training — Benefits of Leasing

What are the Benefits of Equipment Leasing?

Leasing offers numerous advantages over other financing methods:

Tax treatment. The IRS does not consider an operating lease to be a purchase, but rather a tax-deductible overhead expense. Therefore, you can deduct the lease payments from your corporate income.

Balance sheet management. Because an operating lease is not considered a long-term debt or liability, it does not appear as debt on your financial statement, thus making you more attractive to traditional lenders when you need them.

100 percent financing. With leasing, there is very little money down - perhaps only the first and last months payment are due at the time of the lease. Since a lease does not require a down payment, it is equivalent to 100 percent financing. That means that you will have more money to invest in revenue-generating activities.

Immediate write-off of the dollars spent. Leasing payments are treated as expenses on a company's balance sheet, therefore, equipment does not have to be depreciated over five to seven years.

Flexibility. As your business grows and your needs change, you can add or upgrade at any point during the lease term through add-on or master leases. If you anticipate growth, be sure to negotiate that option when you structure your lease program. You also have the option to include installation, maintenance and other services, if needed.

Customized solutions. A variety of leasing products are available, allowing you to tailor a program to fit your month-to-month or year-to-year cash flow needs. You are able to customize a program to address your needs and requirements - cash flow, budget, transaction structure, cyclical fluctuations, etc. Some leases allow you, for example, to miss one or more payment without a penalty, an important feature for seasonal businesses.

Asset management. A lease provides the use of equipment for specific periods of time at fixed payments. The lessor assumes and manages the risk of equipment ownership. At the end of the lease, the lessor is responsible for the disposition of the asset.

Upgraded technology. If the nature of your industry demands that you have the latest technology, a short-term operating lease can help you get the equipment and keep your cash. Lease equipment that you expect to depreciate quickly. Your risk of getting caught with obsolete equipment is lower because you can upgrade or add equipment to meet your ever-changing needs.

Speed. Leasing can allow you to respond quickly to new opportunities with minimal documentation and red tape. Many leasing companies can approve your application within one or two days and you can have your equipment very quickly.

Improved cash forecasting. By leasing equipment you know the amount and number of lease payments over the life of the leasing period, so you can accurately forecast cash requirements for your equipment.

Flexible end of term options. There are several options for disposing of equipment after the lease term ends including returning the equipment, renewing the lease or purchasing the equipment.

Tax benefits. Lessors often pass the tax benefits of ownership on to the lessee in the form of lower monthly payments.

Improved earnings. Operating lease accounting provides a lower cost than a capital lease in the early years of a lease.