# 5 REASONS LEASING EQUIPMENT CAN BENEFIT YOUR BOTTOMLINE

Many businesses, from medical clinics to construction companies, opt to lease rather than purchase equipment. Here are five reasons leasing may be the right strategy:[1]

## 1. 100% Financing

Most leases qualify for 100% financing meaning there's no down payment and no hit to cash flow. This can also offset the expense of training until productivity savings kick in.

In addition, most leases can be negotiated to take advantage of flexible payment terms that can further even out cash flow. If your business has predicable seasonality, for example, you can match payments to your revenue cycle to lower or even skip payments during lean periods.

## 2. Avoid Obsolescence

Equipment is valuable to your business because of the work it lets you do, not for the "equity" that comes from owning it. In fact, when older equipment breaks down, it's not only a hassle; it disrupts productivity.

Leasing is also a good choice as it allows businesses to upgrade to the latest technology without the worry of selling used equipment.

Obsolescence can be a particularly tricky issue when equipment gets bundled into a real estate transaction. When that happens, a piece of equipment, which may only have a useful life of five years, will end up being amortized over the full term of a mortgage. Think of it in terms of paying for your home's dishwasher for the next 30 years and you start to get the picture. Financing terms for leased equipment, by contrast, typically matches the useful life of the equipment.

## 3. Streamline Planning and Budgeting

Setting up an annual Lease Line as part of your budgeting process allows you to get your new equipment installed and generating revenues without delay. When you are ready for the equipment, the funds are quickly available with minimal lease documentation.

## 4. Tax Advantages

There are two main categories of leases: Operating leases and capital leases. They both have advantages.

Operating leases are treated like expenses; they're tracked on your income statement rather than listed as an asset on your balance sheet and they can be fully deductable.

Capital leases, on the other hand, operate much like a loan, but with more flexible terms such as low- to no-down payment and fewer (if any) financial restrictions. They are accounted for on your balance sheet and may qualify for IRS Section 179 deductions for capital expenditures and depreciation.

## 5. Conserve Cash

Leasing equipment allows a business to utilize its operating line of credit for operating expenses and other unforeseen expenditures.

Finally, contrast the major outflow of cash required to purchase equipment with the predictability of manageable lease payments, and you may rest easier at night.

Some or all of these reasons might apply to your business and are topics well worth a discussion with your accounting team to determine how best to balance leasing and purchasing decisions. The bottom line, though, is that leasing is an option that should always be on the table any time there's a need for new equipment.

Contact our leasing specialist, Tom Klassen, to learn more about how leasing benefits your bottom line: 651-675-4694 or tom_klassen@anchorlink.com



[1]Talk to your legal or tax advisor to learn more about how leasing may help your specific situation.