

Benefits of Financing

Did you know 7 out of 10 companies finance business equipment? Plus, the number one reason companies finance is to enhance cash flow. Experience all the benefits:

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- **100% financing.** With financing, there are very little upfront costs. Zero to two month's payments may be due at the start of the finance contract. And, you can cover soft costs such as installation and shipping. Conversely, a typical bank loan does not cover soft costs and may require as much as 10 - 20% down.
- **Tax and accounting benefits.** The IRS does not consider Tax Leases (FMV, 10% Option, TRAC) to be a purchase, but rather a tax-deductible overhead expense. Therefore, you can lower your taxable income by deducting the lease payments. Non-tax (\$1.00 Buyout, 10% PUT, SD=BO, EFA) are attractive to business owners who want the tax benefits of ownership - use of IRC 179, accelerated depreciation. Consult a tax advisor on the specific impact.
- **Balance sheet management.** Because a Tax Lease is not considered a long-term debt or liability, it does not appear as debt on your financial statement - making you more attractive to banks by improving ROA due to a lower asset base.
- **Flexibility.** Unlike loans, you can structure payments to meet your cash flow including deferred and seasonal payments. Convenient end of financing options exist too: purchase equipment, return equipment or renew the contract. If you need to terminate the finance contract, a buyout can be figured.
- **Upgrade technology.** If your industry demands that you have the latest technology, financing can lower obsolescence risk because you can upgrade or add equipment to meet your ever-changing needs. And, it's simple with a Master Agreement!
- **Speed.** Respond quickly to new opportunities with minimal red tape – less than a loan. Your application can be approved promptly and you can have your equipment quickly.
- **Improved cash flow and forecasting.** Lease payments are historically lower than loan payments, conserving cash for other uses. With leasing, you know the amount and number of lease payments over the life of the lease, so you can accurately forecast cash requirements.
- **Conserve credit lines.** A loan immediately reduces your credit line. A lease doesn't affect your credit line.



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Cash - Loan - Lease

Wondering how a lease compares to using cash or a loan? Check out the comparison chart:

	Cash	Loan	Lease
Cash Flow	Buying has an immediate impact on cash flow by diminishing cash reserves.	A down payment as much as 20% plus collateral and no ability to include soft costs (shipping, maintenance, etc.) means a large cash outlay.	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 your line of credit.
Equipment Risk	The owner bears all the risk of equipment devaluation and must track obsolescence.	The owner bears all the risk of equipment devaluation and must track obsolescence.	In many leases, the lessor manages the burden of taxes and insurance.
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 ROA.
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 and take advantage of inflation.
Soft Costs	Covering soft costs including installation, training, and software erode cash reserves.	Banks rarely finance soft costs. Cash is needed to cover these expenses.	Leasing may cover all costs so no large cash outlay is needed.
Upgrading Equipment	Owners must manage the 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 and you may keep the same payment by extending the lease term.
Tax and Liability	Owners must manage asset liability on their books. Accounting standards require owned equipment to appear as an asset with corresponding liability on the balance sheet.	Depreciation is tied to IRS depreciation schedules. With loans, you can only write off interest portion of loan. Principal is depreciated.	With tax leases, lessees claim the entire lease payment as a deduction. Non-Tax leases use accelerated depreciation resulting in larger tax deductions. Tax savings can be substantial.



To learn more and to structure an affordable lease, contact us today!

Contact Information:

Strategic Equipment Finance, LLC.

Contact: Mark Kennedy

Toll Free: 877-846-2623

321-783-9298

FAX: 352-861-5600

Email: mkenedy@strategicleas.com

Website: www.StrategicLeasingNow.com