The Advantages of Leasing vs. Loans

Lease ☺: A lease requires no down payment and finances only the value of the equipment expected to be depleted during the lease term. The lessee usually has an option to buy the equipment for its remaining value at lease end.

Lease ☺: The leased equipment itself is usually all that is needed to secure a lease transaction.

Lease ☺: A lease does not contain restrictive covenants that limit the lessee's ability to borrow future funds. As long as the lessee is current with the terms and conditions of their lease, the lessor can not disrupt the lessee's use of the equipment or demand payment in full of the outstanding lease payments.

Lease ☺: A lease requires only a lease payment at the beginning of the first payment period which is usually much lower than the down payment.

Lease ☺: The end user transfers all risk of obsolescence to the lessors as there is no obligations to own equipment at the end of the lease.

Lease ☺: When leases are structured as true leases, the end user may claim the entire lease payment as a tax deduction. The equipment write-off is tied to the lease term, which can be shorter than IRS depreciation schedules, resulting in larger tax deductions each year. The deduction is also the same every year, which simplifies budgeting (Equipment financed with a conditional sale lease is treated the same as owned equipment.)

Lease ☺: Leased assets are expensed when the lease is an operating lease. Such assets do not appear on the balance sheet, which can improve financial ratios.

Lease ☺: More of the cash flow, especially the option to purchase the equipment, occurs later in the lease term when inflation makes dollars cheaper.

Loan ☹: A loan requires the end user to invest a down payment in the equipment. The loan finances the remaining amount.

Loan ☹: A loan usually requires the borrower to pledge other assets for collateral.

Loan ☹: A loan agreement usually includes restrictive covenants that require the customer to maintain certain financial ratios that may restrict the customer's ability to borrow future funds. In the event the customer violates one or more of the covenants, the lender has the right to demand payment in full of the outstanding loan amount even though the loan payments have been made on time.

Loan ☹: A loan usually requires two expenditures during the first payment period; a down payment at the beginning and a loan payment at the end.

Loan ☹: The end user bears all the risk of equipment devaluation because of new technology.

Loan ☹: End users may claim a tax deduction for a portion of the loan payment as interest and for depreciation which is tied to IRS depreciation schedules.

Loan ☹: Financial Accounting Standards require owned equipment to appear as an asset with a corresponding liability on the balance sheet.

Loan ☹: A larger portion of the financial obligation is paid in today's more expensive dollars.

Partners Capital Group
Direct Lender in all 50 States
www.partners-capital.com
866-417-8326