

# WHY LEASING MAKES SENSE.

## *Tax Opportunities:*

Lease payments may be considered pretax dollars and fully deductible operating expenses. Leasing may eliminate the need for complicated depreciation schedules and could accelerate tax benefits. You also may avoid the Alternative Minimum Tax by paying for the equipment out of current, untaxed income instead of from pretaxed profits. The more profitable the company, the greater advantage of a lease.

## *Financial Reporting:*

Leased equipment is its own collateral.

**Off Balance Sheet Financing:** A capital purchase must be listed as an asset and a corresponding liability. As years pass, depreciation and interest expenses have to be accounted for.

Leased equipment is not required to be capitalized in financial statements. Leased equipment is footnoted, so a company's financial ratios and measurements improve. Leased equipment does not create a liability, so the company appears less leveraged.

**Increased Return on Assets:** Leasing doesn't increase a lessee's asset base, which allows a company to report a higher return on assets.

**Improve Cash Forecasting:** Leasing payments are locked in for the term, eliminating uncertainties regarding the future cost of equipment.

## *Avoids Obsolescence:*

During or at the end of a lease, you have the option to upgrade to a more technologically advanced product. This helps keep your business competitive. If you are going to upgrade, a simple phone call and the remaining principle balance of the old equipment is added to a new lease.

## *Why Do 80% of American Corporations Lease Equipment?*

It's simple. Company owners and managers realize that the *real* value of equipment is in the use of that equipment, not necessarily in owning it. Best of all, by leasing instead of buying outright or borrowing money, a company's cash and equity isn't tied up in equipment, but can be used in better ways to generate profits.

An equipment lease is an equipment financing option in which a lease company retains ownership of the equipment in exchange for monthly rental payments. Purchasing the equipment at the end of a lease is always an option. For a low down payment and fixed monthly payments, a company gets the use of the equipment, without large initial expenditures. Simply put, leasing makes sense.