FINANCE OR LEASE EQUIPMENT?

One of the most expensive aspects of starting a new business is the acquisition of new equipment. Although outright purchasing may sound like a good idea, it may not prove financially viable, especially for a fledging company.

The accounting benefits of depreciation can be attractive on the balance sheet, but the impact on cash flow can be more detrimental. With a steady eye on cash flow and mindful of the buoyancy that tax benefits can provide growing companies, a rising number of small businesses now lease equipment instead of paying cash or tapping a line of credit. The following are some key points to think about as you decide whether to lease or purchase.

One big point in favor of a lease is that little or no down payment is required. And qualifying for a lease is often easier than a traditional loan.

Generally speaking, it is best to lease items that depreciate and buy assets that appreciate in value.

There are as many different leasing terms and options as there are leasing companies to work with, so shopping around for the best deal is crucial to finding a good lease. Here are nine questions to ask yourself before committing to a lease plan.

1. What is the total lease payment?
2. Are there any other costs before the lease ends?
3. Can I modify the lease before the lease period is over?
4. What happens if I decide to end the lease early?
5. Who is responsible for damaged or destroyed equipment?
6. Who is responsible for insurance, taxes and maintenance?
7. What options do I have when the lease ends?
8. What happens if I choose to return the equipment?
9. Are there any extra costs at the end of the lease?