



Four Options: Which One Is Right for You?

At a Glance

Cash, lease, loan, rent—these are your options whenever you need a new piece of equipment. And since your needs are always changing, the right option today might not be the right option next month. Here are some of the basic advantages and disadvantages about each option.

A Closer Look

Cash

Advantages

- The transaction is over and done with immediately.
- Less paperwork.
- You own the equipment outright from day one.

Disadvantages

- You run the risk of depleting your cash reserves and coming up short in an emergency.
- You risk reducing your bonding capacity.
- Keeping the money you invested in your business is generally worth more than the cost of financing.

Lease

Advantages

- Less money up front.
- Generally lower monthly payments than installment loans.
- Pay for the use of the equipment, return it at lease end, or exercise your purchase option.
- Enables you to schedule equipment replacement.
- Reduces downtime, keeps newer equipment in the fleet longer.
- Better cash flow management by knowing the equipment's value if you return it at lease end.

Disadvantages

- Subject to hour usage restrictions (annually).
- Leases do not build equity.

Loan

Advantages

- Own the equipment when you're done paying for it.
- You can depreciate the equipment for tax purposes.
- The equipment appears as an asset on your balance sheet.

Disadvantages

- Higher up-front cash outlay (i.e. down payments).
- Advances in technology can make your equipment obsolete before it's paid for.
- Higher monthly payments.
- Value of equipment is subject to market.

Rent

Advantages

- Good for short-term projects, especially when the equipment is not likely to become part of your regular fleet.
- Good cash flow management.
- You may acquire the necessary equipment for short-term needs.

Disadvantages

- No ownership.
- Not a good option for long-term needs.
- May not be able to get what you really need.
- Potentially higher payments.

Always discuss your equipment acquisition plans with a qualified accountant.

The information on this sheet is intended only for your general illustration purposes, and is not offered as legal, tax, or accounting advice. This information does not consider taxes, depreciation, the half-year convention, expensing the lease payments, interest deductions, etc. Loan rates, lease charges, and residual values vary based on structure and creditworthiness.