Equipment Leasing

Essential information and strategies of leasing equipment for a VERT Franchise.

There are a myriad of leasing options to consider, not to mention the tax benefits or consequences that each of those choices carry.

Advantages of Debt….
Most people prefer not to have debt if at all possible, but debt managed properly can be an asset to you. It not only helps to build your business credit rating but can give you some very good tax benefits that you would not have had if you paid cash. There's a lot to be said for using someone else's money, especially when you will be generating additional profits each month by having this new equipment. This is where equipment leasing becomes a major asset to you.

One of my favorite analogies is that you should look at your equipment the same way you would an employee. Both are there to help you generate more business and boost profits. However, you would never consider paying an employee three or four years worth of salary in advance, so why would you pay for equipment ahead of time? By leasing your equipment, it should easily generate enough profits to cover the lease payment as well as additional profits for you.

Leasing Helps Your Cash Flow….
Equipment leasing allows you to get the equipment you need now while paying for it over its anticipated lifetime. By leasing your equipment versus paying cash, you can avoid spending extra money today that will adversely affect your cash flow.

There are many benefits to leasing your equipment. The primary advantage is that it allows you to acquire assets now with minimal up-front expenditures. Most equipment leases only require a small deposit. Another financial benefit of equipment leasing is that your lease payment is generally considered to be a rental expense. Thanks to this tax advantage, it helps reduce the net cost of your lease. In addition, a commercial equipment lease will not affect your personal credit like a bank loan or credit card would. This helps immensely, if you decide to, say, buy or refinance a home.

Leases Are Easy to Obtain….
Leases are also generally easier to obtain than bank lines and sometimes can be accomplished with an application only. If you have been in a related business less than two years, you can expect to lease up to $60,000 with just a credit application, and, over two years in business this amount can go as high as $250,000 with an application only.

Leases Are Flexible….
Leases also offer more flexible terms than traditional banks, such as a 90-day deferred program. This program allows you to take possession of the equipment now and make no monthly payments for the first 90 days. This is a great tool during the start up phase, as it allows you the time to sell the service to your client and collect the income before having to make any payments.

Banks, for the most part, are not in the market to finance equipment. They understand real estate and auto loans, but when it comes to equipment, they most likely will either ask to put a lien on your real estate or refer you to an equipment leasing company. With an equipment lease, the only thing held as collateral is the equipment being financed, so there are no worries about attaching your home or other assets as additional collateral.

More Qualified than You Think….
Many people think they won't qualify for a lease if their credit is less than perfect, which is far from the truth. There are many programs available, even for clients with prior bankruptcies. The rates will be slightly higher, but if your profits are more than your monthly payment, equipment leasing may be the solution for you.

Some Disadvantages of Leasing….
There are some disadvantages also. Equipment leasing is not for everyone, all of the time. When you sign a lease, you are committing to payment terms, and most leases cannot be cancelled. This means that if you commit to 36 monthly payments, then you are liable for that. Be sure your lease term and the anticipated life expectancy of the equipment you are leasing coincide with each other. There's nothing worse than making payments on that treadmill that died three months ago!

Tax Deductions….

Section 179 of the Internal Revenue Code allows you to fully deduct the cost of some newly purchased assets in the first year (in 2007, you could deduct up to $112,000 in equipment). Although not all equipment is eligible for Section 179 treatment, you can still receive tax savings for almost any business equipment through depreciation deductions.

Preferred Rates….
If someone has been a Personal Trainer or Physical Therapist or in a field related to fitness & therapy for at least two years and has been filing a schedule C (sole proprietor)you can get preferred rates and terms as an existing business owner.

Personal Credit….
Generally equipment leases do not affect your personal credit. A commercial equipment leasing company loans money to businesses not individuals. Therefore most times it will not appear on your personal credit report.

Collateral….
Only the equipment being financed is used as collateral. Most times banks will want to put a lien on real estate or other assets to secure the equipment lease. Equipment leasing gives you the flexibility of keeping your business and personal assets separate.

Conserve Capital….
We can include ALL commercial equipment you might need for your new VERT Franchise. This not only includes the fitness equipment , but also office furniture, computers, phone system, sound system, TV's, signage and much more.

VERT FITNESS & PHYSICAL THERAPY

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