



## **Lease or Purchase: Which is right for you?**

### **Understanding Credit**

#### **An Important Number**

Your credit score is a three-digit number credit bureaus develop by evaluating the information on your credit file. Along with your credit history, it has an impact on whether or not you are approved for a mortgage, car loan or credit card and what interest rate you'll pay.

#### **Lending Industry Standard**

A borrower's credit score has been proven to be the best predictor of the borrower's repayment performance. The three major credit bureaus generally use a formula developed by the Fair Isaac Corporation (FICO) to analyze the credit information they have on file for you. Your FICO score is what most lenders use to determine the interest rate you'll be offered. Borrowers with high credit scores are usually offered lower interest rates, while those with lower scores may still get credit but will have a higher interest rate.

#### **Figuring Your Score**

The three major credit reporting agencies may each assign you a different score, based on the specific information each has on file. But they follow a similar method to come up with that number, which range from 300 to 850. The median score in the United States is 723. Knowing your FICO score and understanding how it is calculated can help you improve your credit profile and thus affect what you pay for financing. You should obtain a credit report from each of the three credit rating companies each year and quickly report any mistakes in your credit report. In commercial lending, Dun and Bradstreet often provides credit information to a lender. If you have a DUN's account number, and favorable commercial credit history, you are in a great position to receive commercial purpose credit to expand your business. The number of years you have been in business makes a significant impact on your ability to obtain commercial loans.

#### **Financing and refinancing**

Contact one of our finance experts today for low rates on purchases and leases of commercial trucks, landscape equipment and refinancing options on commercial trucks and equipment for your business.

# Leasing

The cost of vehicles continues to escalate. We have found a way to give you the monthly payment you desire and still drive the new Super Lawn Truck of your choice. **Lease it!**

## 13 Advantages to Leasing

1. **Lower Monthly Payments** and Low Down Payment requirements. Payments on a lease are less expensive than financing because you are only paying for a portion of the depreciation, which is the difference between the price of the vehicle and the residual value.
2. **Never Upside Down.** Never have to worry about being upside down where the value of the vehicle is less than the amount owed.
3. **Always have a lower payment.** For many business owners, equipment payments are here to stay. Growing businesses will always have payments, so why not be driving a new truck that prevents expensive down time during the season.
4. **Asset sense.** When you control an asset, you have the right to profit from its use. Leasing allows you to use the asset to make money with the minimum out of pocket dollars up front.
5. **Low Risk.** A bank or lease company is assuming the total risk of what the vehicle will be worth in the future.
6. **Flexibility.** You do not give up the option of owning the vehicle, you just postpone it. This gives you time to make sure this is the vehicle for you. This makes great sense with advances in technology that have the potential to make your vehicle outdated
7. **No mileage restrictions.** Leases are designed for your needs and your driving habits and many leases are structured to have no mileage restrictions.
8. **Buy with confidence.** When you buy your leased truck at end of term, you know exactly how the truck was serviced and how much life you can expect in the future. In many instances, the residual value is lower than the value of the truck making an end of lease purchase a smart decision.
9. **Warranty.** You can structure your warranty to match the lease term and even schedule planned maintenance costs into the lease payment. This will prevent unexpected repair bills in the future.
10. **Get the perfect SLT.** High residual values at the end of the lease allow you to employ a more specialized (higher priced) vehicle for about the same payment as financing
11. **Tax Savings.** In states with sales tax, you only pay tax on your monthly payment, not on the whole vehicle at time of purchase. This improves cash flow. And in many cases, the entire lease payment may be tax deductible. Consult your accountant for more information.
12. **Better Balance Sheet.** A lease contract is considered 'off balance sheet financing'. The lease obligation may not show up on your company's list of long term liabilities. This allows you to obtain credit lines and other business expansion loans without hassle from the local banks.
13. **Expand your credit sources.** Having access to a lender that specialize in leasing commercial equipment could help you have greater access to capital allowing you to expand your company at a faster rate and allow you to keep greater credit lines with your local bank.

## **Your options at the end of your lease**

- Return it to the dealer and pay only a small disposition fee.
- Sell the vehicle yourself and keep any amount over the residual value.
- Trade it in on a new vehicle.
- Buy the vehicle for the residual amount.
- You may choose to finance the purchase and utilize a variety of depreciation strategies to lower your taxable income into the future.

## **Lease Terminology**

- **Cap Cost** the purchase price of the vehicle plus the acquisition fee.
- **Acquisition Fee** a fee charged by the lender for doing the lease.
- **Cap Cost Reductions** any trade equity, cash or rebates used as a down payment to reduce the cost of the vehicle.
- **Residual Value** is a predetermined estimate of the market value of a vehicle at the end of the lease term.

## **Purchasing**

There are times when the government offers tax favors (incentives) to companies who purchase assets. When this occurs, purchasing could be the right strategy to acquire assets. As companies evolve through different stages of development, it may choose to purchase some assets and lease other assets. Just as each company is different, each asset has a different life, and each finance strategy has its advantages.

Purchasing is the likely finance option when you acquire used equipment. Expect higher interest rates and shorter payment terms when you acquire used equipment.

Your interest rate on a commercial loan is driven by your credit history. Commercial loans generally have higher interest rates than personal loans. To get the best possible interest rates on your loan, pay your bills on time. If you own your home and have a history of on-time payments, you have a great chance to get a great interest rate. If you have credit cards, late payments will greatly impact your credit history, interest rate, and ability to get a commercial loan.

Contrary to some advice you hear, having debt in your company is not bad decision. When you use debt to acquire an asset that helps expand your ability to generate income, you are in business. If you think that you must pay cash for every asset in your company, you will greatly restrict your ability to expand your business. Credit is a tool. Just like a truck or a lawn mower, credit can improve your productivity.

**In our efforts to help companies grow, we are happy to share options for payment plans for lease and purchase options.**

## **Summary**

Here is what we generally see: leases have lower monthly payments and lower down payment requirements improving cash flow.

Purchases tend to have a slightly lower overall cost over the life of loan. We tend to see slightly lower interest rates with purchase finance plans. However, purchase payments are always higher than lease payments. (Refer to advantage to leasing reason #1 above).

### **Final recommendations:**

If your firm is planning on a growing and expanding rapidly over the next five years, we recommend selecting a leasing program. Further, we recommend establishing a line of credit (LOC) that accommodates purchases planned over the next 12-month cycle.

If you are an owner operator who plans on continuing to be an owner-operator the next five years (no growth or expansion), purchase financing makes great sense.

The decision to choose a lease program or a purchase program is not the biggest decision you will face as a business owner. You should always invest in strategies to improve your productivity, profits, and promotions. Improving field productivity by just 6-minutes per hour can double your profitability. Labor is the biggest risk in a service business. Get the equipment you need to improve productivity and it will easily pay for itself.

To get started with a lease or purchase: Contact Super Lawn Technologies at: 866-923-0027

Or: Get our credit application by [clicking here](#).