



## The Benefits of Leasing

With 80% of U.S. corporations currently leasing some of their equipment and office furniture, the leasing process is more streamlined and simple than ever before.

### Benefits of Office Furniture Leasing – At-A-Glance

#### Convenience

Documentation is minimal; billing is monthly and is simple to budget.

#### Tax benefits

For Fair Market Value leases, monthly payments may be treated as operating expenses and are 100% deductible.

#### Preserves credit lines

Bank credit lines are available for other needs, such as payroll or inventory.

#### Flexible payment schedules

Leasing programs can be structured to fit almost any cash flow need.

#### Matches cost to usage

By leasing the office furniture and equipment, you can match the timing of cash outlays with cash savings of usage.

#### Conserves working capital

Leasing allows cash to be invested in working capital, instead of being tied up in office furniture and equipment.

#### Provides a hedge against inflation

Leasing allows acquisition of office furniture and equipment today with tomorrow's dollars.

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**Improves your cash flow.** The main advantage of leasing is that it frees up cash. Equipment leases rarely require down payments, though you may have to set aside some cash for a refundable security deposit. By contrast, loans to finance the purchase of equipment typically require down payments of up to 25 percent or more.

**Easier to finance than purchases.** Before extending a capital equipment loan, banks will usually want to see two to three years of financial records - which most new companies do not have. Leasing companies, on the other hand, usually require only six months to a year of credit history before approving a furniture or office equipment lease.

**Easier to keep pace with technology.** Leasing is especially attractive if your business relies upon cutting-edge technology such as the latest computers, communications devices or other equipment. A series of short-term leases will cost you less than buying new equipment every year or two. Some office equipment leases even have yearly computer upgrades built into them - eliminating that difficult decision of whether you can afford to upgrade or not.

**Allows you to afford more.** While you might not be able to afford to purchase those pricey ergonomic chairs your employees are asking for, you may be able to lease them. Better furniture and equipment can create a more professional image and boost morale and productivity.

**Balance sheet benefits.** You may be able to exclude some leased assets and related obligations from your balance sheet. Such moves might improve financial indicators such as your firm's debt-to-equity ratio or earnings-to-fixed-assets ratio. Bear in mind, however, that accounting rules do require your balance sheet to report assets leased under certain types of agreements.

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### **Small Business**

You need the office system, but can't afford the cash outlay and often settle for lesser furniture if you have to pay cash.

- You have had negative experience in dealings with banks – slow response, mountains of paperwork, down payment required and credit declines.
- Borrowing from your bank ties up your line of credit.

### **Large Business**

Convenience – it is often a lot easier for a large company to lease than go through your office furniture and equipment acquisition approval process.

- Budgetary constraints – capital acquisitions budget was set months ago and did not provide for the acquisition of new office system.
- Lease payments fit into a miscellaneous monthly expense budget and can be justified by savings.
- Approvals needed for leasing are usually at lower levels than major capital purchases.