



FINANCIAL SERVICES

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Nine Reasons to Say “Yes” to Leasing

Overview

Here are 9 reasons why businesses acquiring a new phone system should consider leasing:

1. Sustain Your Competitive Edge

Your business – like most – changes almost daily. New competitors, new market forces, new financial strains, new organizational structures all add up to a need for flexibility. When you select new technology, you wonder if it will be replaced by a faster, more powerful alternative next year, or even next month. Leasing your equipment avoids the risks of ownership because you pay only for the use of the equipment. When your lease expires, you can buy the equipment, trade it in for the latest technology, or simply walk away (depending on the type of lease you choose). You’re putting a technological “safety net” in place, so your company’s competitive edge is never dulled by the process of moving up to faster, larger, or different equipment.

2. Conserve Your Capital

Leasing lets you keep capital free for investment or other business expenses instead of tying it up in fixed assets. Profits from these investments offset the cost of the lease – you don’t have to own an asset to make money using it.

3. Generate Profits

Reinvest the cash you conserve into inventory or a new marketing promotion – investments that can bring real profits to your business.

4. Preserve Existing Credit Lines

Leasing gives you a new source of credit for present and future needs, while your existing bank lines remain intact for other uses.

5. 100% Financing

Unlike bank loans, leasing means no down payment and no required compensating balances in most cases. Leasing lets you finance the cost of the equipment, plus installation, maintenance, taxes, shipping charges, and even software.

6. Tax Advantages

Leasing offers important tax benefits that reduce the cost of obtaining equipment. Depending on the type of lease you choose, you may be able to write off the entire monthly payment as an operating expense or capitalize the outlay.*

7. Budgeting Advantages

Leasing guarantees a fixed monthly lease payment for the length of the lease term, so it’s easy to forecast your equipment expenses. It also gives you the flexibility to obtain unplanned-for equipment – your operating budget may easily accommodate a monthly payment, but capital budgets often can’t be stretched to allow for an outright purchase.

8. Pay as You Go, Not Up Front

With leasing, you pay for equipment as you enjoy the benefits of using it.

9. Perfect Solution for Expanding Businesses

You deserve access to the latest equipment and technology. Leasing protects you from being locked into owning equipment that may not meet your future needs – and provides the flexibility to move up to the newest releases, features and functionality as they become available. Leasing is often the financing solution of choice for businesses that hesitate to buy equipment because they fear it will become obsolete before they can fully depreciate it.

*Be sure to consult your own accountant or tax advisor regarding the tax consequences of your leasing and financing transactions.

FAQ's About Leasing

Q. Isn't it cheaper for me to pay cash?

A. When you purchase equipment, there is a loss in the earning power of that up-front cash payment. For example, if the net profit on working capital is 15%, then you lose 15% a year. Leasing gives you the use of your money and the use of the equipment you need – so you can pay for the equipment out of earnings over time rather than put up equity capital all at once.

Q. Isn't it better to own equipment?

A. Use of equipment, not ownership, produces profit. It is usually more economical to lease equipment and use your cash for other needs. Depending on the type of lease you choose, you can either purchase the equipment, or return it and lease more updated equipment, at the end of your lease term.

Q. What is the fair market value purchase option going to be?

A. The fair market value of the equipment will be determined by the market. If an agreement between the lessee and the lessor cannot be reached regarding market price, then an independent appraisal will be used to determine the amount. A fair market value lease option offers the lowest monthly payment, payments that are tax deductible as an operating expense, and a flexible purchase option at the end of the lease. "Fair market value" is just that – the price for which the equipment could be rented or sold in a transaction between unrelated parties.

Q. Why is it "fair market value" instead of a specific, predetermined amount?

A. The IRS and equivalent organizations in other countries have certain guidelines for a true lease, and one of the stipulations is that it must contain a fair market value purchase option. If the purchase option were guaranteed, your monthly payments would not be a fully tax deductible expense.

Q. Who pays the taxes?

A. The lessee is responsible for all taxes, but the actual payment to the taxing authority is made by the lessor, who is reimbursed by the lessee (you).

Q. Can I put additional equipment on my existing lease?

A. Yes. Once you've signed one contract, additional equipment can be added easily. Please ask about the "no-doc" add-on program available from Avaya Financial Services.

Q. Is the lease cancelable?

A. No, a lease is a non-cancelable contract.

Q. Do I need insurance?

A. Yes, you are required to carry insurance that covers fire, theft, loss, and general liability. Avaya Financial Services must be shown as the loss payee and the additional insured on the policy. We can assist you in obtaining the appropriate insurance coverage.

For further information, please contact Avaya Financial Services: contactafs@afsleasing.com or call us at 800-327-3333