EQUIPMENT CAPITAL CORP

FINANCING REVENUE GENERATING ASSETS

Financing debt is an integral part of any business operation for the purchase of long term assets to sustain or to grow operations. Paying cash for long term assets is often not the best strategy as using your company's working capital for long term revenue-generating assets can leave your company cash strapped in the short term.

CAREFUL CONSIDERATION ON LONG-TERM ASSET PURCHASES

Is the equipment required for short term or long term operating purposes? If you have a short term need your best option might be to consider renting with a Rental Purchase Option (RPO)? This way if the work turns into a longer-term project you can get credit for your rental cost at a range of 75% to 100% for up to 3 months depending on the dealer. Note these terms and rates can vary substantially based on dealers and the RPO should be on the rental contract at the initial set up.

However, if you have a long term need for equipment then financing long term assets and paying off the balance over time and matching your cash outlays to incoming cash inflows is your best option.

The interest you pay is a deductible expense for tax purposes and if the equipment is leased there are further tax advantages. Additionally, finance companies only charge a one-time set up fee which is usually a fraction of the major Bank's fees and do not charge renewal fees each year.

The current market conditions have shown the benefit of carrying long term debt to term with used equipment prices dropping the equity in equipment has been reduced in some cases substantially due to lower resale value, as a result the Banks are not able to provide refinancing.

TRADITIONAL LENDING VS. SPECIALIZED FINANCING LENDERS

In the current market conditions the major Banks have tightened credit policies showing they are not that interested in financing assets or refinancing assets that have been paid out because of uncertain market conditions and financial covenant breaches for example. Banks usually advise you to pay off equipment early so equity is built up in case you need refinancing but often still are not able to provide refinancing of equipment.

Banks typically want a larger down payment on assets purchases but a big upfront payment will often strip your short- term cash reserves while having a long term payment strategy can conserve your working capital is critical should the industry change or slowdown.

Having a well thought out strategy on equipment purchases can save time and money in the long term. Get the Knowledge, the Transparency, and the Service Level you and your Company Deserves. **Call the Experts at Equipment Capital Corp.**

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