

Equipment Leasing Keeps the Presses Rolling

*During the **economic challenges** of the past few years, maximizing **budget dollars** has become a top priority for printing company executives. While budgets were **shrinking**, many commercial printing companies **refrained from investing** in resources such as equipment.*

Equipment purchases that once furnished a print provider with a competitive edge now have become a question of survival for companies operating old, and perhaps technologically outdated equipment. Equipment leasing might be an answer.

Technological advances in printing equipment allow for automated workflow, faster turnaround time and less waste, all of which ultimately help your company's bottom line. But, printing equipment comes with a hefty price tag and requires a large outlay of cash, which can create challenges for daily business operations.

The challenge for Herb Zebrack, president of Los Angeles-based Lithographix Inc., was maintaining the technological capabilities and expertise his company is known for while staying within the confines of his budget.

Zebrack says, "Lithographix has a reputation for providing cutting-edge printing capabilities and extreme precision, but keeping pace with the changing technology in presses, scanning, color and other print components is an uphill battle. Through leasing, we're able to continually equip ourselves with leading-edge printing

equipment without taking a hit to the bottom line every time we acquire or upgrade. Also, at the end of the lease term, the equipment goes back to the lessor, so we aren't stuck trying to figure out how to dispose of outdated printing equipment."

Leasing is a popular way to maximize purchasing power among printing companies like Lithographix largely because it's a cost-effective way to obtain the newest equipment without the large front-end expense.

The benefits add up

Some of the other recognized benefits of leasing printing equipment include:

Tax treatment — The IRS does not consider certain leased equipment to be a purchase but rather a tax-deductible overhead expense. Therefore, printing companies might be able to deduct the lease payments from corporate income.

100 percent financing — Because an equipment lease often does not require a down payment, it is equivalent to financing 100 percent of the equipment's cost.

Immediate write-off of the dollars spent — Lease payments can be treated as expenses on a company income statement, so equipment does not have to be depreciated over its useful life.

Flexibility — As printing businesses grow and their needs change, they can add or upgrade equipment at any point during the lease term.

Asset management — A lease provides for the use of equipment for specific periods of time at fixed payments. The leasing company assumes and manages the risk of equipment ownership. At the end of the lease, the leasing company is responsible for the disposition of the asset.

Upgraded technology — Technological product enhancements make equipment more efficient and easier to use. Competitive companies have to stay on the cutting edge. Equipment that could depreciate quickly should be leased to limit an organization's risk of getting caught with obsolete technology. Plus, leases make it easier to upgrade or add equipment to meet ever-changing needs.

profitable printing

Questions to ask

To aid companies with the leasing process, the Equipment Leasing Association has developed the following list of 10 questions to ask before signing a lease.

Before

1. How am I planning to use this equipment?
2. Does the leasing representative understand my business and how this transaction helps me to conduct business?

During

3. What is the total lease payment and are there any other costs that I could incur before the lease ends?
4. What happens if I want to change this lease or end the lease early?
5. How am I responsible if the equipment is damaged or destroyed?
6. What are my obligations for the equipment?
7. Can I upgrade the equipment or add equipment under this lease?

After

8. What are my options at the end of the lease?
9. What are the procedures I must follow if I choose to return the equipment?
10. Are there any extra costs at the end of the lease?

Speed — Leasing can allow printing companies to respond quickly to new opportunities with minimal documentation and red tape. Many leasing companies can approve applications within an hour.

Improved cash forecasting — When printing companies lease, they can accurately forecast equipment cash requirements because they will know the amount of each lease payment and the required number of payments.

Flexible end-of-term options — Put simply, at the end of a lease, there are three flexible options: return the equipment, purchase the equipment or renew the lease.

Tax benefits — Lessors can pass on to the printing company the tax benefits of ownership in the form of lower monthly payments.

One size does not fit all

Another important benefit of leasing

is that there are a variety of leasing products. The two most common leasing products are the capital lease and the operating lease.

The capital lease, also known as a finance lease, offers the widest term length flexibility, which can help keep payments low. Capital leases also provide a variety of tax benefits for the acquired equipment. At the end of a capital lease, there are numerous options, including purchasing the equipment at the current fair-market value, renewing the lease at a fixed price or a \$1 purchase option.

An operating lease, or an “off balance-sheet lease,” typically has a shorter term than a capital lease and the equipment is treated more like a rental; the asset (equipment) does not appear on the company balance sheet. When the term expires, companies can return the equipment or purchase it at its current fair-market value.

Also available are leases that can be tailored to fit month-to-month or year-to-year cash flow needs.

Custom arrangements can be designed to address requirements such as cash flow, budget, transaction structure, cyclical fluctuations and more. Some leases even allow companies to seasonally skip one or more payments without penalty.

To aid companies in the search for a leasing company, the ELA, has developed a tool called Lease Assistant, available at www.chooseleasing.org. Lease Assistant answers commonly asked questions about leasing, discusses important things to note before signing a contract and offers a search engine for finding nearby or specialty leasing companies.

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