

## **Ask SCORE**

*I'm going to be setting up a new dental practice when I graduate this year. The equipment companies all offer both purchase and leasing options. What are the pros and cons of each?*

Whether you need computers, desks, machinery or vehicles to get your small business or started or sustain its growth, the cost to acquire and maintain these items can easily overwhelm your balance sheet. But there's another, potentially more cost-effective option—leasing.

Leasing offers many benefits beyond simply costing less money. Rather than having to weigh the trade-offs of various items for a long-term investment, you can get the right equipment for a specific need for as long as you need it.

Leases can be tailored to conform with project-specific or time-based needs (e.g., month-to-month, seasonal or annual). Routine maintenance and upkeep can often be included in your lease payment, freeing you from another responsibility and ensuring the equipment is always ready to use when you need it.

Many small businesses find leasing a good way stay ahead of technology when it comes to computers and similar support systems. Why allow your growing business to be hamstrung by aging tools when you can replace them easily with the latest technology under a new lease?

Leasing also saves you time. In addition to not having to find financing for a new equipment purchase, equipment leasing companies are typically staffed with experts who are up to date not only on the equipment itself, but the specific models that will best serve a small business like yours.

Also consider leasing's potential costs. For example, the lifetime cost of the asset is generally going to be higher than if you purchased it. You also forgo up any ownership in the equipment, which can be especially costly if you rely on the equipment and find at the end of the lease that the equipment is too expensive to purchase outright. And while lease or rental payments on assets used in your business are fully deductible, they may not offset the tax benefits of depreciation deductions on owned equipment.

If these factors add up to a decision to lease, consider how long you anticipate needing the equipment. If you expect it to be for a long time and want to establish equity in the equipment, ask about building a purchase option into the lease so that a portion of your payment is credited to the purchase price. And make sure you fully understand what you're signing. It may be helpful to have your attorney examine a lease before completing the transaction.

*This column is brought to you by the Merrimack Valley Chapter of SCORE, with nearly 70 current and former business executives available to provide free, confidential, one-on-one business mentoring and training workshops for area businesses. Call 603-666-7561 or visit [merrimackvalley.score.org](http://merrimackvalley.score.org) for information on mentoring, upcoming workshops and volunteer opportunities. SCORE is a national, non-profit organization and a resource partner of the U. S. Small Business Administration.*