


Why Buy When You Can Lease?

You can avoid the upfront costs of buying the equipment you need to run your business by leasing through your Farm Credit association and its partner, Farm Credit Leasing (FCL).

Leasing gives you financial and business benefits that you don't get when you own your equipment, vehicles and facilities. It can save you money, improve your cash flow, help you keep current with equipment and reduce your taxes.

Pay Nothing Down

Leases don't usually require a down payment. Instead, you only make the first lease payment. This will give you greater flexibility in choosing your equipment and will mean more cash in your pocket.

Spend Less for the Same Equipment

When you lease your equipment instead of buying it, you usually only have to pay a portion of the actual cost—you get the full value without paying full price. If you leased a $30,000 piece of equipment for three years, for example, you might only have to pay $18,000. That's only 60% of its true value. At the end of your lease, you can even buy the equipment for the remaining portion of its value.

Lower Your Taxes

Most of the time, your lease payments can be deducted from your income—no more worrying about depreciation and no more waiting for years to fully write off your equipment cost. Instead, you deduct the lease payments over the term of the lease, which is usually less time than it would take to depreciate the equipment if you owned it. The shorter write-off period means a larger deduction and lower taxable income every year of your lease.

Control Your Cash Flow

FCL understands rural industries, particularly agriculture. We know that different businesses have different income cycles, so we let you decide how often and when you want to make payments—monthly, quarterly, semi-annually or annually, or based on your harvest season. You can even delay your first payment. This flexibility allows you to match your lease payments to your cash flow and the profits generated by the leased equipment. Once your payment plan is set, the payment amounts and due dates will stay the same so you'll be able to plan your finances well in advance.

Find Better Equipment

With FCL, you're not limited to the equipment or facilities we happen to offer. Instead, you can work with any supplier, local or otherwise, to find the exact equipment you need. Once you negotiate the best price, FCL can step in and take care of the financing.

Replace Equipment Before It's Outdated

Leasing means you'll never have to worry about your equipment becoming obsolete. You can replace it regularly with state-of-the-art models and take advantage of the improvements that have been made—like better fuel efficiency or faster production. This is especially important for equipment such as vehicles that have relatively short economic lives. New, dependable equipment can also increase your productivity and cut down on the time you have to spend solving problems. And, if you decide you want to keep the equipment at the end of your lease, you have the option to buy it.

Reduce Your Maintenance Costs

As equipment gets older, it typically needs more maintenance. In fact, maintenance often represents the most significant expense for older equipment, and over time it can add up to more than the equipment is worth. When you lease your equipment and update it regularly, you don't have to worry about the additional maintenance older equipment needs. You can always have reliable, low-maintenance equipment.

Make Faster Business Decisions

It takes less time to lease than it does to buy your equipment—credit approval for most leases usually takes less than 48 hours, and smaller transactions may be completed within a matter of minutes. This frees up your time so you can focus on running your business.

Improve Your Balance Sheet

Sometimes you want better control over your balance sheet, and leasing can help you achieve that. Different types of leases are accounted for differently, and with FCL you choose which type you have for each lease. With a capital lease, you're treated as owner of the leased equipment and it appears on your balance sheet. With an operating lease, the equipment is taken off your balance sheet and instead appears as an operating expense. This improves your financial ratios, including lowering the debt to equity ratio, raising the current ratio (liquidity), and raising return on assets (ROA).

Create a New Credit Source

In addition to leasing specific equipment, you can also establish a lease line of credit with FCL. This will allow you to respond quickly to new equipment needs and leaves your other lines of credit available for other business uses.

To learn more, contact your loan officer or visit FarmCreditFL.com to find the nearest Farm Credit office.

For the type of lease that is right for you, please consult with your accountant.

FARM CREDIT LEASING

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