

BUY OR RENT WHAT'S BEST FOR YOUR BUSINESS?

IT'S HARD TO NOT BE BEDAZZLED BY THE PROSPECT OF A NEW piece of equipment. Hypnotized by its brilliance, you start coming up with the reasons to justify the purchase of this gleaming unit.

Sure, you could use some new equipment and these cutting-edge machines could certainly make your job a little easier. But, hold it right there....

Does it make sense to go ahead and purchase this particular product? Have you considered renting instead to give it a try before you buy? Or perhaps leasing would be your most viable option? When it comes to the use of equipment you have options—should you buy, lease or rent?

In these economic times, there is a different mindset. Traditionally, in past years, smart landscape companies would set up a program to replace their mowers, either on a three-year or four-year turn. If on a four-year turn, each year they would buy new mowers for 25 percent of their fleet.

However, over the past three years at least, these contractors have been holding onto their equipment longer. It seems the uncertainty of the economy scared everybody. A lot of equipment went beyond its life expectancy. This led to too much lost time, breakdowns in the field, and much more money spent on replacement parts and labor. Finally, this year, they could no longer hold on, so there was a buying surge.

In this environment, the decision to buy, lease or rent is rarely a simple one, as there are advantages and disadvantages to each. Many people in the industry believe the choice should be based on a combination of factors that are carefully weighed; however, there are no set rules in the buy/lease/rent decision. Every business owner should run the numbers and gain a solid understanding of the financing options before deciding which program will work best for him or her.

When to buy

If the equipment you're considering is something that you're likely to use for many years, buying might be in your best interest, especially if your company has a strong financial history and a good relationship with the bank. In a slowdown economy, manufacturers and distributors are becoming more willing to wheel and deal to get their products out of their facilities. You may be able to find better deals now than you ever have before.

These discounted rates are the reason why McHale Landscape Design, Inc., a residential landscape architecture design/build firm based out of Upper Marlboro Maryland, purchases nearly all of their equipment.

"These days, we're buying our equipment a lot more than leasing. The rates are so low, especially with trucks and tractors, and they're very negotiable on price. It's so attractive at the moment," said Julie McHale, company controller.

Before you fork over that wad of cash, however, remember to take into account the costs of maintenance, storage, insurance and depreciation of the equipment.

When making the decision to purchase, ask yourself how often this particular machine will be used. A brand new piece of equipment is always attractive when it's glistening new, but is this something you will use on a regular basis? Or will it be forgotten beneath a tarp somewhere in the back of your storage yard warehouse? If the latter seems more likely, perhaps you should reconsider whether or not this purchase is the best bet for your bottom line.

By making equipment yours, you become eligible for a tax write-off at the end of your fiscal year. Additionally, once you have bought something to improve the way your business is run, this item is on your books as an asset. Smart investments can increase the value of your company.

If you are a large enough enterprise with enough equipment to justify it, you might decide to hire an in-house maintenance staff. They can help care for your equipment, which can preserve the longevity of your machinery.

"We have four different mechanics maintaining our equipment, which was a commitment that we made a few years ago. If you have people taking care of it, that can make your stuff last longer," said McHale. "Some companies might lease a bit more if they don't have a way to maintain it themselves."

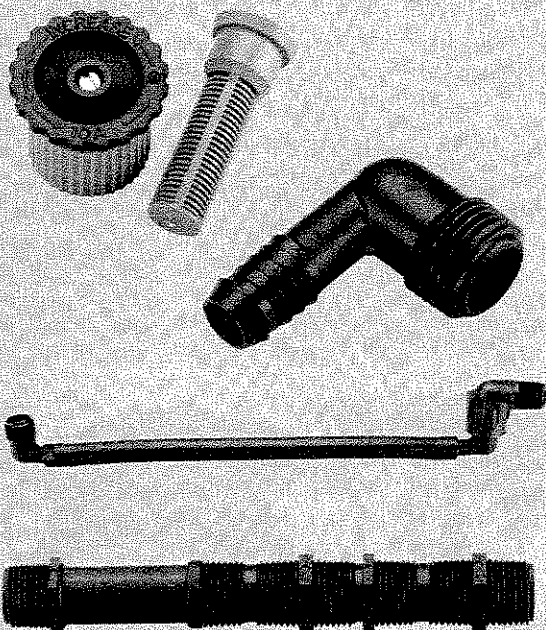
When to lease

It used to be that your first instinct would be to buy. Sure, you think, you could use this equipment for as long as you want, whenever you want and it could potentially become a valuable investment for your company. While this may sound like a good idea at first glance, there are several reasons to consider leasing instead of plunking

continued on page 36

BUY SPRINKLER ACCESSORIES DIRECT

GO ONLINE OR CALL TODAY!



Sprinkler Accessories*	Quantity Based Pricing
Adjustable Arc Nozzles - Female Thread (Fits Rain Bird & Hunter)	\$0.69 - \$0.52
1/2" x 1/2" Swing Assembly with Male Elbow	\$0.60 - \$0.80
1/2" Spiral Barb 90 Elbow	\$0.14 - \$0.085
1/2" x 6 Cut-off Riser	\$0.11 - \$0.075
1/2" Plastic Shrub Adapter (Fits Rain Bird & Hunter)	\$0.25 - \$0.15

* 3-Year Warranty

Check out our new website at IrrigationDirect.com

©2010 Irrigation Direct

FREE SAME DAY SHIPPING ON \$90 ORDERS

266 Lindbergh Avenue • Livermore, CA 94551
toll-free: 877.436.6922

www.IrrigationDirect.com
877.436.6922



Buy, Lease, or Rent? *continued from page 22*
down cash for an outright purchase.

For starters, leasing prevents paying out so much capital upfront. This can help with cash flow management, particularly for a start-up or rapidly growing company. This way, the cost of equipment is in the form of a predictable monthly payment, an operating expense instead of a weighty investment. You may also take pleasure in learning that 100 percent of the lease cost is tax-deductible.

J. Landon Reeve IV, chairman and founder of Chapel Valley Landscape Company, Woodbine, Maryland, said his company has anywhere between 150 and 200 leased pieces of heavy equipment at any given time that include trucks, cars, trailers, backhoes and skid steers. Almost every piece of equipment that has been used by his company since the mid-1980s has been a loaner.

"We lease so that we can have a steady cost structure to our operation," he said. "We're able to spread out costs, it gives us more flexibility and it provides us with some tax advantages. We don't show all of our equipment on the balance sheet for the landscape company and these instead show up as current leases."

Many leasing companies will fully finance the purchase of your new piece of equipment, so there's little or no down payment and your capital remains available for other operational needs. Also take into consideration the typical lifespan of the equipment in question. Will this particular product become outdated in just a few years? Will it require replacement parts or will repairs be costly? If the answer to both of these questions is "yes," leasing may be your best bet. Full maintenance and service repair is a feature that typically comes standard with most lease agreements.

Equipment that will become especially used, worn and obsolete within just a couple of years should be leased. By choosing to lease, you have the freedom to pick the equipment and brand you want to use and you pass the financial burden of becoming obsolete onto the leasing company. Your equipment will always be up-to-date.

If you're thinking about signing a lease, though, make sure you do your homework. Don't be afraid to ask a lot of questions if you need to. Know how long the contract is for, what kind of lease it is, if the equipment must be insured, if you can buy your leased product at the end of the agreement and if you can terminate your contract early.

Make sure you read the fine print, too. You're locked into most leases for a certain period of time and can't easily get out of them. If you decide to move, go out of business or you need to change, you will still have to make those monthly payments. However, if you own your stuff, you don't have to worry about getting caught in a bind.

If you do lease equipment, you will need to pay state sales tax and that should be factored into your estimations. You may end up paying more taxes than necessary if you do

not fully understand how they are handled in the contract.

When to rent

While leasing is an option suitable for long-term needs, rentals can be a convenient way to help contractors face any short-term needs that they might have. You already have a whole fleet of mowers, but could you use a couple more this week? How about another skid steer loader you need for a special project? No problem. Go to the rental yard, fill out the paperwork, pick up the equipment and you're off to the job.

"Every now and then we'll have to rent a flight compactor, a cutoff saw, usually it's because ours is broken," laughs Michael McRay, chief operating officer for Georgia-based Watters & Associates Landscape.

If you're considering renting more equipment, it might behoove you to develop a relationship with the rental yard. Open an account so the next time you need a piece of equipment, instead of you going over to handle the paperwork, you can send on of your crew. The rental yard can send you a bill each month.

Rentals can also help to lighten the cost load of the more expensive pieces of machinery your company occasionally needs, but not often enough to justify its purchase.

"I think it's just a rule of thumb," Reeve said. "If I'm only going to use it 10 to 15 percent of the time or less, then it makes sense for me rent it, especially if it's a complicated, really expensive unit."

Renting is also a great way to do a more thorough investigation about whether or not this unit is ideal for you. It's kind of like taking a car out onto the road for a test drive. You don't really know how an unfamiliar vehicle will handle until you actually get behind the wheel and take it for a spin. Renting allows you to get the feel of a piece of equipment, before you decide if investing in this machinery is in the company's best interest.

One of the upsides to renting is that it cuts out some of the hassles that come with owning equipment. You don't have to worry about the costs of maintenance or storage.

The decision to buy, lease or rent is never easy, as there are a lot of factors to take into account. When you're trying to do what's best for your business, it's understandable that you can become a little overwhelmed. Just take a deep breath and remember that no two business owners are identical and there's no "right" way to acquire equipment. Run the numbers, weigh the options and choose a program that you know will work best for you. ☻

WIRELESS ET CONTROL

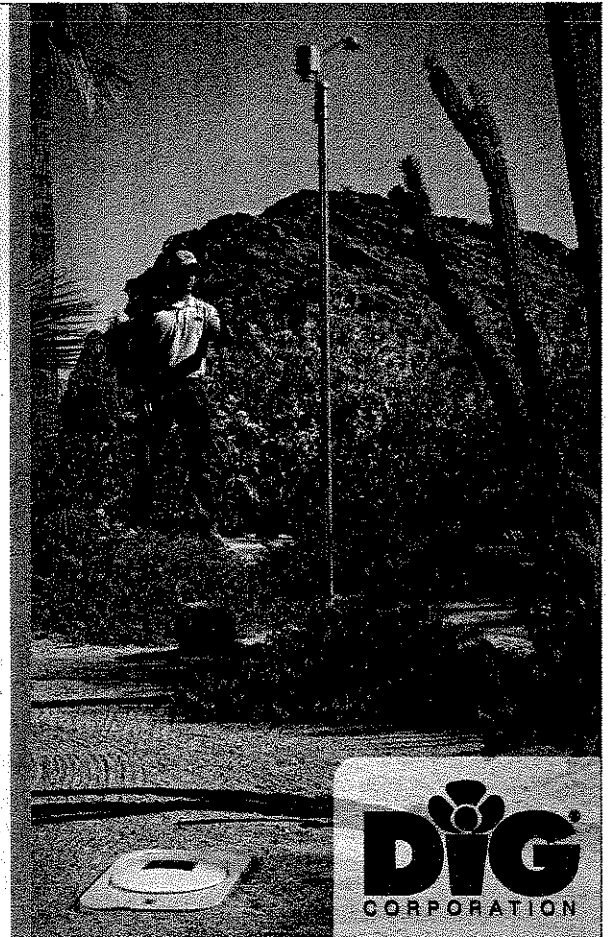
LEIT-2^{ET}
System

The LEIT-2ET weather based, wireless irrigation control system automatically adjusts irrigation schedules based upon local weather data provided by the on site weather station and user programmed site information. Powered only by DIG's ambient light (solar) technology no AC power is needed providing the ultimate freedom and flexibility.



Innovation Show 2009
New Product Contest
Turf/Landscape Winner

800-322-9146
www.digcorp.com



DIG
CORPORATION

Circle 119 on Reader Response Card