FearLess Negotiator

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Smart Leasing Strategies: It's in the Fine Print

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The U.S. Department of Commerce continues to cite what business owners and financial managers already know: rapidly changing technology and cost-containment issues have spurred phenomenal growth in the equipment leasing market. Despite current economic difficulties, Global Insight, Inc. predicts that over $1.15 trillion in equipment will be acquired during 2009. Over $672 billion will be financed using loans, leases and other financial instruments.

Eighty percent of U.S. companies lease equipment to add or upgrade and stay in step with the changing landscape of business, especially in the area of technology. Fifty-nine percent of all businesses that finance equipment report that they will lease computer equipment and 37 percent say they will lease software. Digital printing equipment is the most common equipment leased in every printing company.

How can you protect your company? Not all equipment leases are the same. Whether your company is small, midsize or large, avoid technical obsolescence without overspending by learning to bring financial and technical matters into line with the business issues. By trimming hidden fees, it is possible to cut five to 15 percent from the cost of leasing your next press, cutter, fork lift, digital copier or computer.

The first step to paring costs is awareness. You hold the power of negotiating financial terms in any lease agreement; in turn, you hold the power to save hundreds, thousands—even millions—over the life of the lease.

Here are eight smart leasing strategies to save time and money.

Find a natural fit. There are many types of leases and leasing companies. All offer variables that affect the bottom line, and all contain benefits as well as potential pitfalls. Shop for the company that helps you get *what* you need *when* you need it—at the right price. In theory, the leasing company wants your business and will not jeopardize the relationship because of a few fine points related to financing. The manufacturer's leasing source may not offer the best financing package although it is an easy option to choose.

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Reduce up-front costs and monthly payments. Focus on the best price for the equipment, not the monthly payment. Always negotiate with the equipment sales person as if you are a cash buyer. In that way you are assured that you remain focused on the asset price. The financing negotiation will follow later. The best monthly payments and terms are driven by the price you negotiate.

Adjust the payment schedule. Once the cost of equipment is negotiated, payment options are also key to cost savings. Request the payment plan that fits your cash flow projections, whether it is monthly, quarterly or annually. If the equipment means operators will experience a learning curve, lease payments may be structured. Consider lower payments for the first three to six months.

Understand buy-outs. You may believe you can buy equipment at the end of the lease for "about 10 percent" while the lease states "in-place and in-use fair market value." The difference can be significant and costly.

Avoid hidden penalties. Penalties as high as 60 percent that lurk in return provisions, upgrades, deadlines, cancellations and automatic extensions are negotiable and avoidable.

Beware of the "Perpetual Lease." Chances are, you will not be notified that the original lease term has ended. Easily, the lease may automatically extend or renew, trapping you in added payments or a costly "Evergreen Lease."

Ask an expert. Consult a lease review expert to bring financial and technical matters into line with legal issues—before you sign.

Never too late to negotiate. Even if you are in a lease, there are negotiable issues such as late payments, end of lease purchase prices, relocation fees and return fees.

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Mary A. Redmond, The FearLess Negotiator, works with business professionals who want to become stronger negotiators. After attending one of her workshops or coaching sessions, clients feel more confident in stressful business situation whether they need to close bigger and more complex sales, secure the perfect new job, ask for that well-deserved raise or improve communication with their colleagues, bosses or families.

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