Equipment Finance
Purchase, loan, or lease?

Your business needs the right equipment to stay competitive. But whether you’re upgrading critical machinery or replacing outdated technology, those tools can come with a big price tag. You have several options to consider as you plan the most effective ways to acquire new equipment.

**Purchase with cash**
If your company has plenty of cash on hand, it may be tempting to simply write a check to cover the cost of your equipment upgrades.

**Benefits**
- You immediately own the new equipment.
- You may be able to take advantage of tax benefits such as depreciation.

**Keep in mind**
- An outright purchase may tie up working capital and reduce your financial flexibility.
- If your budget is tight, you may opt to hold down costs by purchasing older equipment—potentially undercutting the benefits of the upgrade.
- As the owner, you’re responsible for covering all maintenance and future upgrade costs.

**Finance with a loan**
Regardless of industry, you can borrow to finance most types of business equipment, from $50,000 technology tools to multi-million-dollar construction machinery.

- Down payments may not be required, minimizing the purchase’s impact on working capital.
- Reliable payment terms on fixed-rate loans can help your business manage its expenses.
- Loans can offer tax benefits such as interest deductions and depreciation.

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**Lease new equipment**
With a lease, you won’t own the equipment. For some business leaders, that’s part of the appeal.

**Benefits**
- Lease structures often offer lower monthly payments when compared to loans.
- Leasing may reduce upfront costs, including those related to installation and maintenance.
- A lease can help conserve working capital for other strategic investments.
- You can tailor lease payments to meet your specific business and sales cycle, including seasonal payment terms.
- Leasing gives you flexibility to upgrade to the latest equipment models, in some cases at no additional cost.
- The lessor assumes the risk that the equipment may lose value more quickly than expected, aka residual value risk.
- Certain lease structures cover maintenance of the equipment.

**Keep in mind**
- You may have the option to purchase the equipment at the end of the lease.
- Leases come in a range of shapes and sizes. Work with your lease financing provider to find an arrangement that best suits your needs.

79.3% of businesses that acquired equipment or software in 2021 used at least one form of financing.¹


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