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Entrepreneur

More or Lease

DON'T HAVE THE CASH FOR BIG-TICKET ITEMS?
LOOK TO LEASING INSTEAD.

By Rosalind Resnick | Entrepreneur Magazine

QUESTION: I'm planning to start my own landscaping business and need to buy a truck, lawn mowers and other equipment, but my bank won't lend me the money because my business is a startup. Is there any other place where a company like mine can go to find financing?

ANSWER: Obtaining financing for equipment and other big-ticket items is one of the biggest challenges startup businesses face. Because new companies lack customers and cash flow, banks generally are not eager to lend them money they may not be able to repay. And charging thousands of dollars in equipment on your personal credit card may saddle you with monthly interest payments that take a big bite out of your business's profits. That's why more and more companies (both startups and existing businesses) are turning to leasing to finance their equipment purchases. By leasing your machinery rather than buying it, you conserve your cash and commit to a low monthly payment schedule that you and your business can afford. Because your startup lacks an operating history, the leasing company will want to see how much cash you've put into the business and a copy of your personal net worth statement before they extend you the lease. "Equipment leasing works well for businesses that start off slow, and [it] protects owners from having to tie up all their capital," says Bruce Gomberg, a partner at Politziner & Mattia, an accounting and consulting firm that advises small and midsize businesses. To find an equipment leasing company that can help your business, check out the Equipment Leasing and Finance Association website.

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