



Using your Cash Reserves vs. Financing/ Leasing for your Next Equipment Purchase?

When it comes time to make a sizable equipment purchase for your company, deciding how to pay for the purchase is a major factor. Even if you have the cash in your bank account, here are two reasons why you should still consider financing the purchase with an equipment loan.

Preserve Your Cash

It's never wise to bleed through your cash flows in a quick manner. Purchasing a potentially expensive piece of equipment could easily earn your company more money; but what if there is an emergency shortly after the purchase is made? You could find yourself with a brand new piece of equipment, but not enough cash to pay for emergencies or replacements. This could be followed by your company needing a high-interest cash loan and hopes of a turn-around in the very near future.

An easy way to avoid such financial troubles is to finance the equipment purchase with equipment financing. This way, you will have small monthly payments over a set term and your bank account won't take such a large hit up front. You'll be able to use the new piece of equipment and make enough money to pay the monthly payment. If an emergency occurs in this scenario, your company will still have the cash in the bank account that wasn't spent up front for the equipment.

Improve Your Credit

Additionally, and most importantly for new firms, financing an equipment purchase will boost your company's credit score. This will allow you to be approved for higher loan amounts in the future, while also receiving lower rates and down payments. Establishing credit and payment history with a creditor is an easy way to develop a relationship that you can depend on, especially in times of financial troubles. If you find yourself in an emergency situation where you need quick cash to pay short term bills during a slow period, having previous pay history with a creditor will help your company get the money you need. If, instead, your company chose to pay cash for a piece of equipment and then runs into financial stress, a creditor is going to be less likely to loan you money because they won't have the established pay history and they will see that your cash flows are low.

Finance an equipment purchase can be very beneficial for many companies. It is true that you will have to pay a little more than the price of the equipment, due to the interest on the loan, but the upsides of the loan far outweigh the few percentage points that creditors tack on.

Call on GSG Capital to help. www.gsgcapitalllc.com or info@gsgcapitalllc.com