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# Equipment Financing Means Flexible Solutions for Startups and Small Businesses

by Ralph Petta

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Despite the characteristic innovation, agility and hard work of entrepreneurial startups and small businesses, their nature of being newer, less capitalized or less established can impede their ability to secure the credit they need. That’s why it’s important for startups and small businesses to understand their options for financing the equipment needed to operate and grow their businesses.

Acquiring equipment through leasing and other financing methods is more flexible and customizable to meet unique business needs than most funding options. This makes equipment finance a perfect fit for startups and small businesses, both of which may have trouble getting traditional bank loans. With equipment finance, there’s no jumping through the same hoops as with commercial and industrial loans. For example, typically most lenders want to see two years of financials, which startups, by definition, don’t have.

Equipment finance is a nearly $1 trillion industry in the United States, and it is easy to find industry participants who customize their service offerings by end user industry, equipment type, ticket size or end user business size. There are equipment finance companies that offer special programs for startups, and companies that specialize in services for small and mid-size businesses. The important thing to remember is that equipment finance companies offer flexible options that help equip all types of businesses for success.

**Key Benefits for Unique Business Needs**

In addition to current finance market conditions, the many benefits of equipment financing provide any number of reasons why it is an advantageous option for businesses. The following are among the most compelling benefits for the financial and operational needs of startups and small businesses:

* *100 percent financing with no down payment.* Unlike with most traditional lenders, it is possible to arrange 100 percent financing of equipment with no down payment. This is a critical benefit since cash flow is often a concern for small and new businesses. Holding on to cash, or working capital, enables it to be used for other areas of the business, such as expansion, improvements, marketing or R&D.
* *Elimination of risk of ownership.* A business just starting out can use equipment financing to help mitigate the uncertainty of investing in a capital asset until it achieves a desired return, increases efficiency, saves costs or meets other business objectives.
* *Expense planning for cash flow and business cycle fluctuations.* Financing equipment helps maintain cash flow and greater certainty in budgeting by setting customized rent payments to match cash flow and even seasonal cash flows.
* *Meet the business’s equipment needs.* Leasing, loans or other financing enables businesses to acquire more and better equipment than they could have without financing. It is more feasible to make monthly payments than to make large cash outlays for equipment up front.
* *Updated technology/Obsolescence management.* To be on the cutting edge and be competitive, businesses need access to new technology. Certain leasing finance programs allow for technology upgrades and/or replacements within the term of the lease contract. Also, since the lessor owns the equipment, it bears the risk of the equipment becoming obsolete.

There are many additional features of using leasing or other financing to acquire equipment that are also highly beneficial. The equipment expertise of equipment finance representatives makes them valued consultants to end users, providing services that range from setting residual rates through lifecycle asset management solutions. Many financing companies provide asset management services that track the status of equipment, know when to upgrade or update it, and provide services relating to installation, use, maintenance, de-installation and disposal of the equipment. Equipment disposal, particularly of computers and IT equipment, can prevent end users from incurring legal penalties for improperly disposing of such assets, which are often regulated by federal, state and local governments. Equipment management by a third party, such as an equipment financing company, can enhance the ability of a business to focus on its core operations. Equipment financing can even hedge against inflation because instead of paying the total cost of equipment up front or with a large down payment in today’s dollars, the stream of payments delays the outlay of funds.

Preparing with thorough, accurate information will enable businesses to get the equipment they need at the best possible terms. To learn more about equipment financing or to find an equipment finance provider for your startup or small business, visit [www.EquipmentFinanceAdvantage.org](http://www.EquipmentFinanceAdvantage.org). The site also contains informational videos, types of financing, a glossary of terms, a lease vs. loan comparison and questions to ask when financing equipment.

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Ralph Petta is President and CEO of the Equipment Leasing and Finance Association, the trade association that represents companies in the $1 trillion equipment finance sector, which includes financial services companies and manufacturers engaged in financing capital goods. ELFA members are the driving force behind the growth in the commercial equipment finance market and contribute to capital formation in the U.S. and abroad. For more information, please visit [www.ELFAOnline.org](http://www.elfaonline.org/).

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