

# PURCHASE **OR** LEASE?

A Guide to Equipment Leasing from John Deere Financial



## EQUIPMENT FINANCING: Which option is right for you?

Equipment is more than machinery — it's your livelihood. The difference between getting by and getting ahead. You've taken an important step forward in considering John Deere to meet your needs. But now the question is, "How should I pay for my equipment?"

What is your objective — to own equipment, or to operate it at the lowest cost per hour?



	Advantages	Disadvantages
<b>Cash</b>	<ul style="list-style-type: none"> <li>– The transaction is over and done with immediately.</li> <li>– Less paperwork.</li> <li>– You own the equipment outright from day one.</li> </ul>	<ul style="list-style-type: none"> <li>– You run the risk of depleting your cash reserves and coming up short in an emergency.</li> <li>– Investing in and growing your business operation is generally worth more than the cost of financing.</li> </ul>
<b>Lease</b>	<ul style="list-style-type: none"> <li>– Depending on term, less money required up front.</li> <li>– Generally lower payments than installment loans of the same term.</li> <li>– Build equity with a higher payment.</li> <li>– Pay for the use of the equipment, return it at lease end, or exercise your purchase option.</li> <li>– Schedule equipment replacement at less cost than a cash purchase.</li> <li>– Reduce downtime, keep newer equipment in your fleet.</li> <li>– Lease payment is an expense on Schedule F.*</li> <li>– Increase your cash flow with lower payments and generally lower up-front cost.</li> <li>– Eliminate the task of disposing of used equipment.</li> <li>– Possibly less expensive and more efficient option to renting equipment multiple times each year.</li> </ul>	<ul style="list-style-type: none"> <li>– Depending on the lease type, your equipment does not count as an asset on your financial statement (off-balance sheet financing).</li> <li>– Subject to hour restrictions (annually).</li> </ul>
<b>Loan</b>	<ul style="list-style-type: none"> <li>– You own the equipment when you're done paying for it.</li> <li>– You can depreciate the equipment.</li> <li>– The equipment appears as an asset on your balance sheet.</li> <li>– No hour limits.</li> </ul>	<ul style="list-style-type: none"> <li>– Higher up-front requirement (i.e., down payments).</li> <li>– Payments are typically higher than a lease payment.</li> <li>– Tendency to keep equipment in fleet too long, causing high repair costs.</li> </ul>
<b>Rent</b>	<ul style="list-style-type: none"> <li>– Good for short-term projects, especially when the equipment is not likely to become part of your regular operation.</li> </ul>	<ul style="list-style-type: none"> <li>– No ownership.</li> <li>– Not a good option for long-term needs.</li> <li>– Generally higher payments.</li> <li>– Can be time-consuming, with travel time to pick up and return equipment.</li> </ul>

\*Other advantages and disadvantages may apply. Consult your tax and accounting advisors.



## QUESTIONS TO CONSIDER WHEN LEASING

Consider your specific needs, explore your financing options, and make an informed decision based on the facts. And since your needs are always changing, the right option today might not be the right option tomorrow.

Our leasing options are a low-cost, low-risk alternative to purchasing equipment outright or taking on an installment loan. Leasing is not as complicated as it seems. And since it can help cash flow, it's worth checking into. John Deere Financial knows which questions to ask to determine if leasing is right for you:

- How long will you need the equipment?
- Do you want to own the machine at the end of the term?
- Are you interested in keeping up with the latest technology?
- Want to buy out early?
- Are there tax, cash flow, and financial issues you're trying to satisfy?
- Are you more concerned about the lease rate or the overall cost?
- Are you interested in transferring risk?
- Are you just looking for the lowest possible payment?

Ask your John Deere dealer for a lease quote, consider your business plans for the future, then determine which option makes the best sense for you.

## Dedicated to what matters.

We know you've got a lot on your plate. So, it's good to know you can rely on John Deere Financial when you need to. We provide much more than flexible financing solutions for equipment, parts, and service. Our goal is to earn your trust through our actions and build a long-term relationship of shared success.

At John Deere Financial, we know equipment. We know how it's used, and what it means to you and your operation. And, we're committed to making sure your financing works as hard and reliably for you as your equipment does.

## Compare your financing costs.

Some believe that leasing is the most expensive form of financing. They say, at the end of the term, you still have to pay the purchase option in order to own the machine. However, this thought overlooks several key facts:

- This is only true if you purchase the equipment.
- If the equipment is not purchased, it can be returned, giving you a lower equipment-use cost than with installment notes.
- Total lease payments are almost always less than the original cash price of the equipment.
- The money saved with lower cash up front and low lease payments can be reinvested back into your business operation.

So the idea that leasing always costs more isn't necessarily true. When comparing costs, it's important to consider all the other factors involved, such as internal rate of return (IRR), time value of money (TVM), and tax implications. The fact is, when a lease is structured properly, your overall cost can be lower than that of a loan — and much, much lower than the cost of paying cash.



## FREQUENTLY ASKED QUESTIONS

**Q:** What makes leasing preferable to an installment loan?

**A:** You pay only for the use of the equipment. Whether you choose a short-term lease (two to three years) or a long-term lease (four to five years), your payment will only be for the selected term.

**Q:** What sort of down payment can I expect with a lease?

**A:** A lease generally requires one annual payment up front. The up-front payment is also known as an advance payment.

**Q:** I've always owned my equipment. Why should I start leasing now?

**A:** Leasing lets you use the equipment only as long as you need it, and then return it with no further obligation. Compare costs. Make sure you ask your John Deere dealer to give you a quote for an installment note and a lease.

**Q:** Will I have lower payments with a loan or a lease?

**A:** In most cases, a lease gives you lower payments. Since cash flow is always a concern for a profitable operation, leasing is often your best option. In addition, a lease not only provides lower payments, but also a shorter contract period.

**Q:** Why package the lease with PowerGard™ Protection Plan extended warranty?

**A:** Your equipment will be more marketable at the end of the lease term. On select equipment you can purchase PowerGard with no increase in payment. Keep your equipment in warranty throughout the term of your lease or for shorter leases you will have equipment still in warranty at maturity.