

Is It Better to Lease or Buy Office Equipment for Your Small Business? 18 Experts Share Advice on the Key Factors to Consider

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Above all, a small business owners' main priority is to stay in business. But choosing the right equipment to actually run business remains questionable, particularly whether or not a small business owner should lease or buy their equipment?

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Ultimately, the answer can hinge on a range of circumstances from usage, to financial, to performance and quality concerns. To find out the key factors small business owners and entrepreneurs should evaluate when determining whether to buy or lease, we reached out to a

panel of small business experts and asked them the following question:

“What’s the #1 factor small business owners should consider when buying or leasing office equipment?”

Direct Capital has compiled these experts’ top tips and advice into a comprehensive guide to better help you make an educated decision on whether or not leasing or purchasing office equipment is the right choice for your business.

See what our experts said below:

Meet Our Panel of Small Business Experts:

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| <ul style="list-style-type: none">• Jennifer Martin• John Allison• Andrew Magliochetti• Eugene O’Sullivan• Mike Warner• Cody McLain• David Ciccarelli• Nick I. Iezza• Simon Ensor | <ul style="list-style-type: none">• Hajmil Carr• Brett Bastello• Kathlene Buchanan• Dina Dadian• Manish Raje• Taylor Johnson• Joseph J Sherman• Chris Bianco• Kunle Olomofe |
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Jennifer Martin

Jennifer Martin is a Business Coach and a Work/Life Balance Expert who helps Small Business Owners Worldwide understand how to build a thriving business without losing their lives in the process.

“The #1 factor small business owners should consider when buying or leasing office equipment is...”

Determining what makes the most sense for your business from an investment perspective and a cash flow perspective.

Leasing can be a great solution for businesses that don't have the credit or finances to purchase, but it may or may not be the best resource for your business in the long run.

Generally the cost to lease far outweighs the cost of purchasing, but don't stop there with your decision making. When considering, “do we buy or do we lease?” get your calculator out and consider talking to your accountant about this decision.

Weigh out the pros and cons from a financial standpoint.

1. What will having the additional expense do to your cash flow?
2. If we buy will the value of the equipment stay the same? Increase? Or decrease over time? If decrease will the depreciation be valuable to us from a tax standpoint?
3. If we purchase instead of a lease will this piece of equipment become obsolete over time (think technology)?
4. If we bought on credit rather than leased would the purchase cost less?
5. Are there shipping, delivery, set up, or other fees that we need to consider in our decision to lease?
6. Knowing where our cash flow is, what costs are tax deductible, and what value having this new

piece of equipment brings, what does our accountant think is the best move for us at this time?

John Allison

John Allison is a degreed accountant who has passed the CPA exam and obtained an MBA. With over 30 years financial experience in major companies and over 7 years' experience assisting owners and executives to better understand and improve the financial position of their company.

“The most important factor small business owners should consider when leasing office equipment is...”

Tax implications.

If it is a capital lease or a purchase, the cost may be written off in the year of purchase. If it is an operating lease, the cost will be written off over the lease term. The profitability of the business will determine which method is best. The choice will have an effect on the cash flow of the business which is of extreme importance. As always, the company's tax preparer should be consulted.



Andrew Magliochetti

Andrew Magliochetti is a Managing Director at New York-based [Maroon Capital Group](#) and a Director at Chicago-based [Jameson Real Estate](#). He has worked as a consultant to numerous governments, investment funds, and international corporations in finance- and security-related matters. Andrew holds a bachelor of arts in Economics from Ohio University, a master of science in Finance from Penn State University, a master of professional studies

in Homeland Security and Defense from Penn State University, and a master of science in Predictive Analytics from Northwestern University.

“The #1 factor small business owners should consider when leasing office equipment is...”

The structure of the acquisition instrument.

Cash flow considerations are certainly important, but an EFA and a lease can both be tailored to result in the same monthly payment.

The most important consideration when choosing between an [EFA and a lease](#) is the tax consequences for the business. For example, depending on the tax position of the company, an EFA may or may not result in bonus depreciation which could make a lease structure more advantageous. If in doubt, business owners should talk to their accountants **BEFORE** choosing the structure.



Eugene O'Sullivan

Eugene O'Sullivan Commercial is a Property Expert for Morgan Pryce which is a specialist in the office rental market, based in London.

“When it comes to the #1 factor small business owners should consider when leasing office equipment, my answer is...”

If you are a small business or a start-up you want to make sure that you determine minimum lease periods. If the minimum lease period is 3 years, consider how your business projection looks, you may want to have bought office equipment by then or more and replace for larger or smaller equipment. Unlike standard rentals with leases, they are set periods and it can become tricky and you'll end up paying for something you do not need or use anymore.

Remember, your lease is not the only fee you also pay a service fee to keep your equipment in good shape. This is a great concept but the price usually goes up yearly, it's worth trying to negotiate a fixed cost for the lease period. Service costs can rise as much as 10% a year and if your contract is 3-5 years it's a big increase on what you already pay for the equipment.

Lastly, think ahead and question: when does the lease end? You may want to change companies, upgrade equipment or buy so what happens to the equipment you have? It can be pretty costly shipping a copier or two so find out what is in the contract, will it be collected? Do you need to cover packing and shipping?



Mike Warner

Mike serves as the COO of [Egami Consulting Group](#), an award-winning multicultural marketing firm. Mike works to connect brands to urban and multicultural consumers and has delivered award-winning client work for leading brands such as Verizon Wireless, Target, General Motors, P&G and more. Mike is also a Tourism Ambassador to Antigua & Barbuda.

“#1 factor small business owners should consider when leasing office equipment is...”

Quality and performance.

As a small business owner, I’m constantly competing with larger businesses. It’s the high quality of our work that sets us apart. Only the best equipment with the latest advances in technology can support our needs and ensure that we are performing at the top of our game.

Most importantly, having dependable equipment allows us to focus on doing our jobs instead of worrying if the printer will fail in the middle of a critical print job or if a monitor will go out in the middle of a big presentation.

High-quality office equipment is worth the investment. I’ve seen that in the long run it will not only save us money and time, but also support our business growth.



Cody McLain

After founding his first company in middle school, Cody has gone on to build and sell a variety of million dollar enterprises. His first two companies were in the web hosting industry which led him to open an office in India and provide outsourced support to other hosting companies. He's consulted companies such as CloudMark, WPENGINE and a host of other startups around the world. He has been featured in Businessweek, Under30CEO, Entrepreneur and

Yahoo SmallBusiness. Now at just 25, he founded SupportNinja, a BPO company for other Startups. Furthermore, Cody provides branding and design services with his digital creative agency, WireFuse. To learn more about Cody and his business adventures, visit his [blog](#).

“When it comes to #1 factor small business owners should consider when leasing office equipment, my answer is...”

Planned Obsolescence

Having to update your inventory every three years is not an issue for large corporations, as they have the equity to pull it off. Unfortunately, small businesses do not ordinarily have that sort of bank, so they have to approach the matter of office equipment creatively.

A factor that usually influences the type of office equipment we invest in is *how often the hardware (and sometimes software) will require an upgrade*, also referred to as Planned Obsolescence.

It can be as simple as investing in 10 Apple computers for five years as opposed to 20 PCs in the same period.

Small business owners should also consider if outsourcing the function to another company would be far more affordable and thereby remove the need for you to have even inventory.

This factor should be taken lightly in this day and age as it directly influences your business' budget, your working environment, and even your corporate culture. As a small business owner, you have to make well-researched, and well planned out investments.



David Ciccarelli

David Ciccarelli is the CEO and Co-Founder of [Voices.com](https://www.voices.com), the industry-leading website that connects businesses with professional voice talent.

“The key factor small business owners should consider when buying office equipment is...”

Asking the question: Does it work with my existing investment in office furniture and equipment?

Avoid re-inventing your office infrastructure by buying odds and ends everytime you grow a little. Find office furniture that is modular, meaning you can configure it into different shapes and office layouts. The same goes for office equipment. As well, buy technology that is expandable. Having those options available to you will save you a lot of time in evaluating alternative technologies while also helping you get the most of your current technology.



Nick I. Iezza

Attorney Nick I. Iezza is a founding partner of Spiwak & Iezza, LLP, a Thousand Oaks, CA-based full-service commercial collection law firm servicing the financial and leasing industries, as well as businesses with outstanding receivables, since 1992. Iezza specializes in commercial collections litigation, with a heavy emphasis on leasing and banking creditor right's litigation.

“#1 factor small business owners should consider when leasing office equipment is...”

Consider cash flow when buying or leasing office equipment. Although the interest rate paid on the lease is usually high, the monthly payments are quite often very attractive and it requires very little money down to get the lease in place and get the equipment installed. In turn, this frees up working capital for other uses to grow the business such as marketing, etc. It also allows the small business to get more expensive equipment than it couldn't otherwise afford and trade it in at the end of the lease for even newer and better equipment. The actual analysis is much more complicated than this, but the bottom line as a business owner is to have as much free cash available as possible on an ongoing basis.



Simon Ensor

Managing Director of Digital Marketing and Consultancy firm, [Yellowball](#). Simon has worked on all aspects of digital marketing with clients ranging from start-ups through to large blue chips and governments. His main area of expertise is SEO and business operation whilst also consulting with clients on wider marketing strategies.

“#1 factor small business owners should consider when leasing or buying office equipment is...”

Whilst for many small companies cash flow is a business critical concern, weighing this up against improved efficiency is key. The initial layout may increase risk financially, but if it results in improved efficiency and therefore, quicker turnaround on projects then the risk associated with the equipment, it should be lowered significantly.

The opportunity cost of cash being utilized in other areas will be paramount in this decision for small businesses but over the mid term an investment in better office equipment will only help improve cash flow, subsequently helping growth and therefore alleviating cash flow concerns on future investments.



Hajmil (Haj) Carr

Hajmil (Haj) Carr is the founder and CEO of TrueLine Publishing, a B2B digital publishing and custom media-marketing firm headquartered in Portland, ME. A serial entrepreneur, he has founded several companies, including successful mortgage, real estate and finance businesses. Haj is a father to four children and is a salsa dancing enthusiast.

“The #1 factor small business owners should consider when buying or leasing office equipment is...”

I have purchased hundreds of thousands of dollars' worth of office equipment over the years and I have utilized a mix of leases and purchases. When making these decisions, the most important factor to consider is how long it will last, then pay for what doesn't last up front and finance the big ticket items to keep your cash flow secure.

If you know that you are buying good PC's with solid warranties from a company like Dell for example, it is a great idea to lease them, make the payments and take the write-offs over time, because you have the time. Copiers and cubicles also fall into this realm.

When you get into stationary and peripheral electrical supplies, it starts to make more sense to purchase them outright. Many vendors will encourage you to add in these peripheral items onto your total lease and it's always a bad idea because of the ephemeral nature of the product.



Brett Bastello

Brett Bastello works at [Inseev Interactive](#), a full-service digital marketing company located in sunny San Diego.

“My #1 factor small business owners should consider when buying office equipment is...”

The costs, which should be low!

While it may seem intuitive, it is very easy to go over budget when furnishing a new office due to the excitement of moving into a new place and the desire for a professional appearance. I highly recommend utilizing Craigslist and similar services as a way to find great office equipment at a reduced price, or buying smaller items in bulk, such as pens, ink, paper, etc...



Kathlene Buchanan

Kathlene Buchanan is the Founder and CEO of [Metro Office](#) in the DC/Baltimore area.

“And the #1 factor small business owners should consider when buying or leasing office equipment is...”

Scalability and cash flow.

For businesses starting out, I urge that he or she must remember flexibility; it is key. Why commit to a certain amount of square feet when you can never be certain about a growth plan. A company can end up with too much space and too long of a lease. Or, companies can grow rapidly and not have access to enough space.

With flexible options, companies can grow or contract as needed. I advise businesses to invest in themselves and their company, not their office space for the first few years.



Dina Dadian

Dina Dadian is the VP Web Operations at powersolution.com.

“The single most important aspect small business owners should consider when buying or leasing office equipment is...”

Buy vs lease – this question pops up more and more for small and medium size businesses.

Each business owner’s or organization’s situation is unique, however, and the decision to buy or lease business equipment can be made in each case, with consideration to organization’s situation.

Who can Benefit from Leasing Computer and Network Hardware Equipment:

- * Business owners with limited capital.
- * Organizations in need of equipment that must be upgraded relatively often.

Who Can Benefit from Buying Their Own Computer and Network Hardware Equipment:

- * Established businesses
- * Organizations in need of equipment that has a long-term life cycle.

Both leasing and buying has its own set of pros and cons. If you are interested, more details can be found in my post here:



Manish Raje

Manish is the Founder & CEO of Catalyze Systems Pvt Ltd based in India.

“The primary aspect small business owners should consider when buying or leasing office equipment is...”

Return on Investment (ROI).

Since you are thinking about the equipment, you surely have a need for it. The need is always there. What would translate the need into a buy/lease decision is ROI.

Let me give an example. Consider a startup. They want space to work. Can they buy/lease? No way for a bootstrapped one. So they work out of Garage initially. Here, they have a clear need, however, they neither buy nor lease. Now, as they become somewhat productive or the investment comes in, they would consider leasing space if it is way cheaper than buying. Leasing also comes with allied services too (like housekeeping etc). When you buy something, you also have to consider the overall cost of maintaining it. I gave this analogy since the cost involved is high, however, the decision-making philosophy I use while buying a printer is exactly the same.

Leasing also comes with allied services too (like housekeeping etc). When you buy something, you also have to consider the overall cost of maintaining it. I gave this analogy since the cost involved is high, however, the decision-making philosophy I use while buying a printer is exactly the same.

With cloud computing becoming ubiquitous these days, people have started leasing servers from Amazon, Google, Rackspace and so on. Again, the decision to buy/lease is based on ROI which includes

- * Cost of purchasing the equipment
- * Cost of maintaining the equipment



Taylor Johnson

Taylor Johnson is a business plan expert and hiring manager currently writing for [BusinessPlanToday](#), which provides business planning software and wealth of resources for entrepreneurs.

“The #1 factor small business owners should consider when buying or leasing office equipment is...”

Before deciding whether to buy or lease equipment, make sure to consider the rate of advancement of that particular technology. If the equipment goes out of date fast, then you are best off leasing it.

The reason is that by the time you actually pay off that piece of equipment, you may find that it's already out of date.



Joseph J Sherman

Joseph J Sherman is a market strategist based in Jerusalem, Israel.

“The #1 factor small business owners should consider when buying or leasing office equipment is...”

Shopping for office furniture is like shoe shopping for athletes: it depends on your sport. Like the way a football player needs cleats to build traction on the field. Or a rock climber needs shoes designed for supporting the body in finger size

cracks half way up a mountain.

For example, a dental or law office with a track record and stable future, it makes sense to pay more to buy furniture and equipment that will last for years. These kinds of offices often need nice furniture to present a professional image. However, for a start-up, it is usually more important to conserve cash, and anticipate growth. Why put a lot of money into office furniture if you might need that money for payroll in two months? And why buy nice furniture if you are going to move to a larger office in six months?

Chris Bianco

Chris Bianco is Business Improvement Specialist and Technology Tactician for small and medium sized businesses.

“And the #1 factor small business owners should consider when buying or leasing office equipment is...”

Making a purchase with the belief that the equipment will be current and effective by the end of its depreciated life and the business will not be in need of similar equipment with new features. Equipment products are released every six months. Therefore, what is bought today is passe' six months from now. Is the equipment effective? Most probably... but the price tag on that same equipment is decreased because of newer models.

When making a purchase or entering into a lease, decide on the specification that will still meet the business needs three to five years from purchase.

When entering a lease, investigate if early upgrades to newer models are possible. Figure depreciation against the purchase value. Consider that the equipment is not part of your strategic model which distinguishes the business from its competition. Equipment that supports the strategic

business model may need to be upgraded quickly to maintain market niche.



Kunle Olomofe

Kunle Olomofe is the Founder/CEO, [Adtwist Publishing Co](#) and an award winning business executive, social media influencer and online publisher. He is also the Host and Executive Producer of his own social media TV broadcast Brain Trust with Kunle Olomofe which he recently launched to critical acclaim.

“When it comes to the #1 factor small business owners should consider when leasing office equipment, my answer is...”

Overall value and effectiveness of said equipment to the business.

While the cost of the products are of great importance, and while I agree it is prudent to get the best deals available to you when you go to acquire new office equipment, I would advise SBOs to not hesitate to pay a little more for great equipment whenever doing so promises to deliver high value in terms of functionality, reliability and durability.

In my case, I tend to use office equipment for long periods of time (2-5 years or even longer in some cases), as I am someone who doesn't much like changing tools I have gotten used to.

If I need to purchase an ergonomic chair for example, you can be sure I'd prefer to get one that will do a good job of keeping me very comfortable sitting for hours as well as something I don't have to hurriedly change in the next few months or 1-2 years.

I have applied similar criteria to printers, computers, phones and photocopiers I've purchased in the past, and this strategy has actually served me very well in getting the most out of equipment I've

used as well as saving me a ton of money in the long run.

So to reiterate, functionality, reliability, and durability should always come first.

Cost of purchase should be a second assessment as long as a high value is derived from the purchase that will go towards increasing your bottom line in one form or another and possibly also saving you money over the long term.