HERE TO HELP YOU **GROW**

# Equipment Financing vs. Buying: Which Option Is Right for Your Business?


For many small and mid-sized businesses (SMBs), acquiring new equipment is both a sign of growth and a critical investment decision. Whether you're upgrading outdated machinery, adding new capabilities, or expanding into a new market, the big question inevitably arises:

**Should you finance the equipment—or buy it outright?**

The answer isn't always clear-cut. It depends on your business model, cash flow, industry dynamics, and long-term goals.

At FPG, we've worked with thousands of businesses—restaurants, construction companies, medical practices, manufacturers, and more—and we've seen both paths work. The key is understanding the right path for your business.

In this guide, we'll break down the pros and cons of both options, walk through real-world scenarios, and help you navigate the decision with clarity and confidence.

## The Equipment Acquisition Challenge

Business owners know that the right equipment can unlock new revenue, improve efficiency, and elevate the customer experience. But acquiring that equipment is a financial commitment.

Some businesses instinctively lean toward purchasing with cash—no strings attached, full ownership.

Others prefer financing, seeing it as a way to preserve cash flow and stay nimble.

**Here's the truth:** There's no one-size-fits-all answer. But there is a right answer for your business—and we're here to help you find it.

Let's explore both options side by side.

## Pros and Cons of Financing Equipment

### Pros of Financing:

✅ **Preserves Working Capital**

Financing allows you to keep more of your cash on hand. Rather than tying up a large sum in equipment, you can spread the cost over time—freeing capital for payroll, marketing, inventory, or expansion.

> *Scenario: A growing landscaping company needs three new riding mowers for a big municipal contract. Rather than spend $75,000 upfront, they choose to finance the equipment over 36 months—keeping cash available for hiring seasonal crews and investing in customer acquisition.*

✅ **Offers Flexibility in Upgrades**

Financing opens the door to staying current. Many agreements offer end-of-term options: upgrade, buy, or return. That's ideal for industries where technology evolves quickly.

✅ **Tax Advantages**

Thanks to Section 179 of the IRS tax code, businesses can often deduct the full purchase price of financed equipment (if eligible) in the same tax year. That means real savings without needing to buy the equipment outright.

✅ **Predictable Monthly Payments**

Fixed terms make budgeting easier. With no large upfront costs and clear payment schedules, your finances stay more consistent month to month.

### Cons of Financing:

⚠️ **Interest and Fees**

Financing typically includes interest, which means the total cost may be higher over time. That said, the benefits—like cash preservation and tax write-offs—can often offset the added cost.

⚠️ **Commitment to a Payment Schedule**

Just like a car loan or lease, you're committing to regular payments. It's important to ensure your business has reliable revenue to support the terms.

# Pros and Cons of Buying Equipment Outright

## Pros of Buying:

**Full Ownership**
You own the asset from day one. That gives you maximum control—especially helpful for equipment with a long useful life or limited technological risk.

**No Ongoing Payment Obligations**
Once you've paid, it's off your books. There's no need to worry about future payments, interest, or lease terms.

**Potential Depreciation Benefits**
While you may not get Section 179's full deduction, you can often depreciate equipment over time—providing tax savings year over year.

## Cons of Buying:

**High Upfront Cost**
This is the biggest drawback. Paying in full can significantly impact your cash flow or force you to dip into reserves—money that might be better used for growth initiatives.

**Tied-Up Capital**
Every dollar spent on equipment is a dollar not available for marketing, staffing, or inventory.

**Risk of Obsolescence**
In fast-changing industries, owning equipment outright means you also own the risk of it becoming outdated.

> *Scenario: A busy restaurant decides to purchase a new commercial oven outright. It's a large investment, but the owner wants full control and expects the oven to last 10+ years. However, the up-front purchase limits their ability to invest in remodeling their dining space or launching a delivery service.*

## Financial Benefits: Comparing the Two

### Cash Flow Impact

- **Financing:** Helps protect day-to-day operations by spreading costs over time.
- **Buying:** Puts immediate pressure on your liquidity.

### Tax Implications

- **Financing:** Section 179 deductions, possible write-offs on interest.
- **Buying:** Standard depreciation over the asset's useful life.

### ROI Timeline

- If the equipment generates immediate revenue (e.g., a delivery truck, printing press, or laser skin treatment machine), **financing allows you to match expenses with income.**

*Pro tip: Ask yourself—how soon will this equipment pay for itself? If it's fast, financing might be the smartest move.*

### Asset Strategy

- If the equipment is core to your operations for the long haul, buying might make sense.
- If your business is evolving, or if you need different equipment every few years, financing gives you flexibility.

## How to Determine the Right Option for Your Business

Here's a simple decision-making framework:

**1. What's your current cash flow situation?**
Can you afford a large up-front expense without compromising operations?

**2. How quickly will this equipment generate ROI?**
Will it bring in revenue right away? Or is the payoff longer term?

**3. How quickly will this equipment generate ROI?**
Financing is often better for tech-sensitive equipment (think medical devices, POS systems, or specialty manufacturing machines).

**4. Do you value flexibility or permanence more?**
If you're not sure where your business will be in 3–5 years, flexibility matters.

**5. Will financing terms support your business rhythm?**
Look for options like **seasonal payments, step-up plans,** or **deferrals** to align with your income cycle.

## FPG Helps Businesses Find the Right Strategy

At FPG, we believe in smart, sustainable growth. That means offering **flexible financing** that fits the realities of small and mid-sized businesses—not rigid one-size-fits-all solutions.

We work with you to understand:

- Your business model
- Your cash flow needs
- Your short- and long-term goals

Being a direct lender and having access to **over 50 diverse lending sources**, custom structures, and **a team of real experts who listen**, we help you weigh all the options—and choose what's right for you.

Whether that's a $1 buyout lease, seasonal financing, or just talking through whether buying makes more sense—we're here to help you grow confidently.

## Conclusion: There's No One Right Answer—Only the Right Fit

Both financing and purchasing have real benefits. The key is knowing what your business needs—today and tomorrow.

**Financing** offers flexibility, preserves capital, and supports evolving businesses.
**Buying** can make sense when ownership, stability, and long-term use are priorities.

At FPG, we don't just provide funding—we provide guidance. And we're ready to help you make the best decision for your growth.

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## Let's make your next move a smart one.

📞 **Talk to our team of experts** today to determine the best equipment acquisition strategy for your business.

Because when you grow, we grow.

**FPG | Real People. Real Expertise. Real Growth.**

**Make the Right Choice Today!**

**Partner with FPG – Here to Help You Grow.**
**📞 Call us: 603.699.0740**
**✉ Email us: jmcbride@financialpc.com**
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🚀 **Let's turn *"maybe later"* into *"let's do it now."***
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