

Quick-View: Usage Benefits of Lease Finance

Overview of general benefits of leasing with special focus on equity-based financing

Economic Benefits:

1. Immediate, up-front, cash-out-the-door savings. It is always cheaper to use equity-based finance (in which your investment is less than 100% of the purchase price) than buying it (in which your investment IS 100% of the purchase price), if you intend to replace assets within a five year period or so.
2. Delaying immediate cash usage (or expense event) by using leasing as traditional financing-- 'spreading out the payments')
3. Allows acquisition of desired/needed equipment without having to use funds designated for other uses or cash already committed to some other expense.
4. Reduces unnecessary spend on limited duration projects (e.g. more of a rental model for interim architectures, testing-staging, joint projects with industry)--only pay for the time the equipment was actually in use, not its full 'useful life'.
5. Elimination of Personal property tax when a Financial Institution registered as a Corporation is used.
6. Sale-leaseback transactions can actually generate 'cash back' that could be used for IT infrastructure (to support whatever was purchased, with bandwidth upgrades, power conditioning/UPS, etc.), or as visible incentives/rewards for using the centralized processes.

Operational Benefits:

1. Fastest way to change distributed technologies in mid-stream (don't even have to work through disposal or complicated accounting processes!)
2. Cheapest way to change technologies in mid-stream (roll-over leases or early termination costs--if any--are almost always lower than 'writing off' the remaining book value)
3. Best tool for cost/flexibility management in infrastructure change-outs: use sale-leaseback to monetize legacy equipment (and flexible removal schedules/processes), while deploying new systems under time-based payment vehicles--reducing cash outflow and creates more manageable expense streams.
4. Improved cost accountability: ability to assign costs to specific projects/personnel, and report those costs (e.g. in cases of funds designated for specific projects; or for cost-chargeback or cost-awareness policies)
5. Utilize vendor asset tracking system(s) and/or customized inventory reports to provide centralized management with departmental detail for local inventory accountability and management.
6. A built-in 'forced' refresh point forces a periodic review of 'what is new and best'--a more proactive approach to continual inclusion of innovations and improvements in the technology 'substrate' (e.g. servers, storage, networks, end-user devices, etc.). Less *ad-hoc* spending and better conformity to standards--enabling more efficient technical support.
7. Easiest way to dispose of idled equipment (ITAD)
8. Managing around 'artificial' budgets within a group or project (i.e. "approved project budget only allocated \$X--but we ended up needing \$X+1")

Institutional/Governance/Risk Benefits:

1. Contributes to the ability to adjust/manage the financial profile, as needed for public visibility, community perception, and oversight bodies (e.g. proving wise use of funds, controlling various metrics such as depreciation-- as a measurement of 'currency' of assets, or as tax-related element)
2. Avoid asset ownership (to avoid specific liability, contractual, or PR problems)
3. Manage tax-liabilities in cases of joint-ventures or for-profit spin-offs
4. Construct fiscally-responsible exit strategies in high-risk-of-failure initiatives (e.g. leasing the equipment in order to be able to early-return assets if initiative is abandoned, rather than having to write-off the entire value of the assets--a loss-containment strategy)
5. Reduces risk of data breach: safest way to dispose of idled data-bearing equipment (high-security data wipe of storage devices, precluding adverse PR 'unit found in landfill' events and adverse data breach 'employee records found on reused PC' events)
6. Provides opportunities to generate positive community/PR events (e.g. 'recent PC refresh reduced our energy usage by X% alone')
7. Consolidated spend with vendors could facilitate better implementation assistance and higher levels of support (because of the importance of volume sales to vendors)

Benefits of leasing with an independent lessor:

1. Will force vendors to 'unbundle' product pricing from financing, facilitating better negotiating power for best price from OEM for the equipment--up front (before even applying the equity-based additional cost savings).
2. Improved flexibility: greater power to change vendors/equipment whenever YOU want to (when vendor does not own the asset, it has lower supplier power over you) and to change it more quickly (less back-and-forth with product vendor over the change).
3. Consolidated processes with a single wide-reach lessor reduces administrative cost, streamlines processes, leverages standards, and timely reporting can help group managers enforce policy.
4. An equipment-neutral lessor allows multiple-vendor BOMs and invoices, leading to reduced redundancies and allowing greater visibility to cost management across suppliers and better enforcement of pricing contracts with vendors.
5. Consolidated transaction history with single, independent lessor can provide information on OEM/vendor performance, cost trends, possible price improvement opportunities, and potential trouble areas--for improved ITAM benefits.
6. The ability to include non-IT assets in BOMs (e.g. retrofit of a facility would include IT items as well as non-IT items) would make requisitions by departments easier and at the same time leverage centralized relationships more effectively.