



Acquiring technology: new or used, buy or rent?

Do you need the latest, most up-to-date equipment on the market? Assessing your technology needs and budget will often determine what equipment you buy new, what you can buy used, and the method of acquisition selected.

Choosing the equipment and acquisition method

Technological needs vary within your company. Depending on your particular needs, you will probably equip your office staff with less powerful computer hardware than the equipment your graphic artists or technical designers require. If you need to purchase a number of computers assigned to accommodate different functions, you can save thousands of dollars by adapting each one to handle specific tasks. There are usually three ways of acquiring office equipment: purchasing, financial leasing, or renting. The choice of acquisition method will depend on the business's financial situation, the type of equipment, growth prospects, current interest rates, and other factors specific to the business. Let's see how this applies to two typical cases: computer hardware and telephone equipment.

Computers: purchase or rent?

There are no hard and fast rules when it comes to purchasing computer hardware, and the acquisition method will vary from one business to the next - what's right for the competition may not be right for you.

Generally speaking, **purchasing** is particularly advantageous for professionals and for small businesses that use traditional office automation software (word processors, spreadsheets, and the like). This type of software and its accompanying hardware do not evolve as quickly and require fewer physical resources than specialized solutions. In addition, you can anticipate a useful operating life of 3 to 5 years. Renting may be the best solution if your business uses specialized equipment or software that must be frequently upgraded. There are open-ended rental options that allow you to swap your hardware for more powerful equipment during the course of the contract at no additional cost. In such cases, rental costs are considered to be an expense rather than an investment, and are thus 100% deductible. Since it is costlier than both purchasing and financial leasing, this option is more appropriate for well-established companies.

Lastly, **financial leasing** lets you finance your computer equipment via a fixed-term rental contract with an option to buy once the lease has ended. Nearly all capital goods can be acquired via a financial leasing contract. Unlike renting, financial leasing does not allow you to change your equipment during the term of the contract without a penalty. Furthermore, purchasing the equipment upon termination of the lease is less desirable, since the equipment in question may be obsolete.

Telephone equipment: rent or buy?

The method you choose for purchasing telephone equipment will usually depend on the size of the business and its rate of growth. It is important not to purchase a telephone system if your company's growth rate will cause it to become overloaded and obsolete before you've finished paying for it. The method of acquisition you choose will depend on two main factors:

- **The company's cash assets** must be sufficient to allow the business to upgrade or renew its system as needed.
- **The company's qualified personnel** should include, if possible, one individual who will be responsible for the telephone installations and who can manage and maintain the telephone system.

There are very few small businesses where both of these conditions are met. Renting makes sure there is always equipment available to meet the company's changing needs without having to spend large amounts of money at the outset. In the long term, renting is always more costly than purchasing, particularly since rental costs do not include expenses such as cabling.