



## Financing new or used equipment: your options

A quick tip: if you can prove that the equipment you are purchasing will increase your productivity, it may be easier to obtain financing; in fact, it is a condition for some government employment support programs.

Purchasing new, leading-edge equipment is not necessarily your best choice. Sometimes used equipment that is tried and tested can be more profitable than state-of-the-art equipment. Organizations that specialize in distributing new technologies can help you make a more informed decision. Their experts can look at your situation and suggest solutions tailored to your needs.

For example, they might advise you to automate your production line to increase your productivity and will tell you what the advantages and disadvantages are (acquisition cost, any quick and easy ways to modify production, savings in labour costs, etc.).

### Financing methods

There are different ways to finance your equipment acquisition. The three main ones are purchasing, financial leasing, and regular leasing, each with its own advantages and disadvantages.

- **Purchasing.** Most often financed by a financial institution, a purchase makes you the owner of the equipment as soon as the transaction is completed. However, most financial institutions require the borrower to put up the asset acquired as security, and the company must amortize it over a specific term.
- **Financial leasing.** This consists of leasing the equipment for a limited period of time, with the option to purchase it at the end of the contract. All the lease costs can be charged to operating expenses. There are a number of companies that specialize in financial leasing. However, this formula costs more than purchasing.
- **Regular leasing.** This is more appropriate for rapidly changing technologies. The lessee can use the equipment without owning it, in exchange for preset lease payments. At the end of the lease, the equipment is returned to the lessor. The lease costs are considered operating expenses.

Choosing the best formula depends on your particular situation, i.e. your company's financial position, the type of asset involved, your growth outlook, current interest rates, and a host of other factors specifically related to your company.

You must also consider the cost of the services associated with each formula. The least expensive initially may cost more in the long run. For example, a cut-rate lease may mean that you have to maintain the leased equipment yourself, which may become expensive after a certain amount of use.

### Financing available from BDC

The Business Development Bank of Canada offers term financing (called Productivity Plus Financing) to purchase equipment, but not to lease it. You can obtain between \$100,000 and \$5 million to purchase equipment or machinery (new or used) that will increase your productivity. In some cases BDC can finance a recent equipment purchase retroactively. The percentage of the total cost financed is based on the company's repayment ability, and the financing is guaranteed for a specific term.

Manufacturers can obtain up to 25% in additional financing for costs related to installing and assembling the equipment, training employees, and related consulting services.

### Special programs in your sector

Business and professional associations, certain government agencies, and financial institutions may offer programs for businesses in a specific sector. There may be other programs designed for companies of a certain size. A number of governmental departments have these types of assistance programs. Some industrial groups allow their members to combine their purchases to obtain a better price.

If you are acquiring equipment that is more energy-efficient, you may qualify for certain assistance programs. Although this type of equipment may be more expensive to buy, it may be a more economical solution in the long run.