

5 Reasons Why Successful Laundry Owners Use Leasing

There are many reasons why successful laundry owners use leasing to finance self-service laundries. The most significant reason is that leasing has the most positive impact on a laundry owner's cash flow. During both the initial years and over the life cycle of the financing leasing is less expensive than installment loans. This is true even when the interest rate on the installment loan is lower than the lease. **Here's why:**

1. Sales Tax Savings

In most states sales taxes are paid over the term of a lease, not up-front like you do when you make a direct purchase, so you borrow less, often tens of thousands of dollars.

2. No Unpleasant Rate Increase Surprises

You make the same monthly payment throughout the life of the lease. Floating rate loans can result in large and uncontrollable increases in your monthly payments.

3. No Unpredictable Payments

You make the same monthly payment every month with a lease. Equipment loans often require you to pay 1/60th or 1/84th of the original principal, including sales tax, plus interest each month. This means that at the beginning of your financing you could easily be paying 10% or 15% greater payments for the same size loan. This is when you need the lowest payments, not the highest. **Cash is king, not rate.**

4. Savings When You Buy

It's not how much you make, it's how much you keep that counts. Leasing can save you both Federal and State income taxes by giving you the choice of either deducting the payments (operating lease) or depreciating the equipment plus an interest deduction (capital lease). The decision depends upon your personal tax situation. With a loan, you have no choice.

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Tax planning is best done with a knowledgeable professional advisor, however a little common sense goes a long way. Because the Federal income tax rates are graduated, higher income tax payers pay higher rates. Large deductions, taken all in one year, often save you fewer dollars because they push you into lower tax brackets. Rates fall from the mid 30% range to the low teens. In other words, the value each dollar deducted can be worth 2 or 3 more if properly allocated. **Leasing gives you greater flexibility to realize this kind of savings.**

5. Savings When You Sell

This is the hidden pot of gold when you finance using leasing. When you sell your laundry you have to recapture accelerated depreciation paying ordinary income tax rates that go up as your taxable income increases by the amount recaptured. By electing to deduct the lease payments there is no recapture and you can **save tens and tens of thousands of real dollars.**

Leases, unlike most loans, are assignable to a new owner. The cost of assigning a lease is modest and you don't have to pay the sales tax on the future payments, the buyer does. With a loan you've already paid the sales tax on the entire cost of the equipment and now your buyer has to pay it a second time. If you elect not to assign the lease, ie. an all-cash sale, a lease may have an early buyout provision that is not favorable to you. Triumphe offers a defined buyout program that is usually mutually acceptable to both the seller and lessor.

A Final Word on Interest Rates

Financing a self-service laundry using only the quoted interest rate as your decision variable is like buying a house in the wilderness only because the price is less than a similar one near where you work. When you add in commuting costs, maintenance, inconvenience, resale value and marketability the picture changes radically. So it is with equipment financing and interest rates. The timing of when you have to pay sales taxes and the size of the initial monthly payments seriously impact your initial and long-term cash flows. Income taxes, during your ownership years and especially when you sell, are important factors in your decision. **In most cases, leasing becomes the best option for growth-oriented entrepreneurs.**

The Bottom Line

When you look at the total life cycle of a laundry you will see that leasing helps you keep more of the money you earn where it belongs: in your pocket. Add in the positive impact on the laundry owner's cash flow and it becomes clear that leasing is the better choice.



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From quick approvals through prompt invoice payment, Triumphe's superior service will consistently exceed your expectations!

Triumphe Leasing Network is a specialist in laundry and dry cleaning financing. For over 20 years we have been assisting laundry owners and equipment distributors to create successful businesses. Our approach to financing and rapid approval process for financing new businesses, expansions, resales, and replacement equipment will consistently exceed your expectations.

*If Triumphe Can't do the Deal,
it Simply Can't be Done!*



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