SEPARATE FACT FROM FICTION: BUSTING THE 9 MOST COMMON EQUIPMENT FINANCING MYTHS



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Intro: Finding the facts

As a small business owner, you know that staying in budget and growing are two very important aspects of a successful business. You also know that these concepts don't always work well together, especially when it comes to getting the equipment you need to expand your business.

To add to the challenge, one of the best solutions to this clash, equipment financing, is surrounded by unfounded myths. To help clear things up and get your business the equipment it needs to thrive, take a look at the truths behind the nine most common equipment financing myths. You'll be surprised by what you uncover!

X Myth #1: It's too expensive

✓ Fact: Financing breaks down big expenses into affordable monthly payments

This is, by far, the most prevalent myth surrounding financing. Expense often proves to be the biggest deterrent, but in reality, financing isn't unreasonable. Most businesses need expensive equipment, there's no way around that, but financing breaks down the payments and makes it easier on your bank account. Yes, there's interest to consider, but it's inconsequential when compared to some of the benefits of financing (more on those later).

78% JANNESSES OF US BUSINESSES LEASE OR FINANCE EQUIPMENT

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X Myth #2: You don't keep the equipment

Fact: There are plenty of lease-to-own options to choose from

When people think of leasing, they usually think of leasing a car that gets turned in at the end of the term. Leasing equipment for your business is a completely different ballgame. With lease-to-own programs, you simply break down the cost of the equipment over a specified time period and at the end the plan the equipment is yours to keep.



Financing consultants will happily work with you to figure out the best program for your business' needs.

Here are three financing options that lead to ownership:

One Dollar Buyout- At the end of the lease, you purchase the equipment for the same price as a cup of coffee (\$1.00). With this option, your monthly payment may be higher, but the equipment is yours at the end without any large payment.

Fair Market Value- With this option, the equipment is appraised at the end of the lease, and you can choose to purchase it for fair market value (what it would reasonably sell for if on the market). Though offered, this option is rarely used.

10-20% Payment- Some leases can be structured to have a balloon payment at the end. When the lease is over, you have the option to buy the equipment for a percentage of the original purchase price. This is a great option if you would like to pay less each month. It's also important to note that the balloon payment can be financed so that you pay it off over a period of time, usually a few months.

Storybook Blankie Got Their Start With Lease-To-Own

Pictured: Sydney Allen of Storybook Blankie LLC financed a 15-needle, single-head embroidery machine through Beacon Funding's Lease-To-Own program. She was approved for financing, then her equipment was delivered within the month. Allen has peace of mind knowing she can own her equipment once her lease is over.

X Myth #3: You need perfect credit

Fact: An understanding lender will work with A, B, and C rated credit

If equipment financing companies only worked with perfect credit, their deals would be few and far between. Although good credit often translates to better terms, businesses in the lower credit bracket can still receive great financing plans. By taking into account other aspects of a business, lenders can easily determine the best way to get you the equipment your business needs.

When first starting the financing process, being upfront with your consultant can work wonders. Just remember to be honest with them about any financial problems you've faced. The more your consultant knows, the better equipped they are to help you.

Eight other aspects equipment financing lenders will consider:



X Myth #4: There are strict limitations

Fact: A specialized financing company is less likely to have restrictions

Age and type of equipment do come into play when getting approved for financing, but if you find the right company you shouldn't have too much trouble. Pretty much anything can be financed, you just need to find an equipment financing company with industry expertise. Working with a lender that knows your business and your equipment is the key to finding a great financing plan that won't restrict what equipment you can get.

Finance new or used equipment

If you know the equipment you need to finance is older or traditionally hard to get financing for, find a lender that has experience and is known for financing used. Also be sure to take care when choosing your used equipment. Lenders are more likely to approve if the equipment is in good shape.

Sandel Cranes had Success Financing Used:

Dave Sandel of Sandel Cranes financed a 1999, 110-ton crane through Beacon Funding. Sandel was turned down repeatedly for financing from other lenders/banks. The age of equipment proved not to be a hurdle for Beacon

Funding. From the crane search and negotiations, to the inspections and seller complications, Beacon Funding was there to help every step of the way.



X Myth #5: Banks are the ONLY option

Fact: Some banks finance equipment, but specialized lenders are often a better option

Though banks do grant loans for equipment, they likely won't have equipment expertise, probably don't provide the best rates, and certainly aren't the only option. In fact, the number of people working with banks is decreasing, while statistics show more business owners are turning to alternative lenders. Equipment financing companies specialize in leasing equipment to small businesses.

Your best bet:

Find a company with expertise on the equipment your business requires. They're more likely to work with you to find a financing program that fits your business' needs.

Only 47% Of EQUIPMENT OF EQUIPMENT INANCING IN 2015 WAS WITH BANKS WAS WITH BANKS

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💢 Myth #6: Cash is always king

Fact: Cash is not always a practical way to purchase expensive equipment

It's long been believed that if you can't afford to pay cash, you shouldn't buy. In some instances, this is correct, but a lot of times financing makes perfect business sense, especially if you're just getting started or are trying to expand. When deciding between paying cash and financing, liquidity comes into play.

Conserve your cash

For businesses without massive amounts of cash on reserve, financing tends to be the way to go. Conserving your cash ensures you'll have it when you really need it, like in case of emergencies. Countless businesses have gone under because they lacked liquidity. Utilizing financing to manage cash flow and keep money in your wallet is often considered the soundest financial choice.

• OER Services Expanded Their Business With Financing:

Ali Zaimi of OER Services financed 23 aerial lifts through Beacon Funding. The work platform rental business needed a quick turnaround time on funding in order to purchase their equipment through auction channels, thereby paying off the sellers within a week. Financing helped increase their liquidity and monthly margins.



X Myth #7: Start-Ups are never approved

Fact: Plenty of start-ups use financing to get the equipment they need

Starting a new business is expensive, and sometimes you need a little help getting everything up and running. To get equipment financing, you just need to find a lender that is understanding of your situation. The deal might take a little more work, and you might have to rely on your personal credit, but that doesn't mean it's impossible. Plenty of new businesses got their start by financing equipment; there's no reason your business can't do it, too. Just take the chance and apply!

Start your business right

BRET

567-264-4075

Don't take on a large financial burden as you start your business. Get the equipment you need to propel your business at a low monthly payment.

 Brett's Towing Found Success Through Start-Up Financing with Beacon Funding

Brett's Towing started out with 3 early '90's tow trucks. As a start-up, they had a hard time acquiring financing to upgrade. The towing business was able to finance three tow trucks with Beacon Funding due to their ability to look past time in business.

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Allan and Deb Benlen, owners of Brett's Towing, acquired this heavy duty wrecker by financing with Beacon Funding.

X Myth #8: It's impossible to upgrade

Fact: If you plan ahead, it's easy to upgrade later on

All it takes to be able to upgrade is a little foresight. Having a long-term plan for your equipment will help when developing a financing plan that works with upgrades. You might even be able to upgrade without increasing your monthly payment. A financing consultant will be able to help you find the best plan possible.

Find a flexible financing partner

There are many benefits to working with a company with equipment expertise. Not only will they know your industry, they will also understand your equipment needs.

Global Sign & Awning Upgraded Their Business Through Equipment Financing:

Global Sign & Awning's owner Chris Wicks was able to upgrade from a bucket truck to a sign boom truck with Beacon Funding. The business' revenue has increased approximately 25% since financing.

> We wouldn't have been able to do most of the jobs we do without the new equipment we financed, the sign boom truck. It's the Rolls Royce of the sign industry.

> > Chris Wicks, Global Sign & Awning

Global Sign & Awning's newly financed Elliot sign boom truck. Beacon Funding also financed the sale of their old used truck to acquire this truck.

X Myth #9: There aren't enough benefits

✓ Fact: There are tons of little-known benefits when financing

Rather than outlining all the benefits, here are the top three that tend to sway business owners when deciding whether or not to finance:

Tax Advantages- The Section 179 Tax Deduction allows you to deduct all or part of the purchase price of qualifying financed equipment. Basically, after financing the equipment, the tax savings put money back into your pocket.

Flexible Programs- The flexible payment options provided by some equipment financing companies make it easier to afford the equipment you need to grow your business. By crafting a plan that works for your unique needs, you can manage to acquire equipment in a way that stabilizes cash flow and encourages profit.

Credit Building- It can be hard to build business credit, especially for start-ups. Financing equipment and making payments on time is a great way to build good credit. This will make it easier to finance in the future.

How to get started

Now that you know the truth behind the nine most prevalent financing myths, it's time to take the first step to equipment financing success.

Apply for equipment financing with Beacon Funding at beaconfunding.com/apply.



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