

Benefits of Financing Business Assets rather than Paying Cash

With interest rates so cheap these days, most small – medium sized businesses are choosing to finance their business assets rather than paying cash. These assets include [Cars](#), trucks, plant and machinery.

These assets are increasingly being turned over every 4 – 5 years as technology improves, general wear and tear increases from demanding work loads and the taxation life of assets shortens.

So why not just pay cash!! It's been a great year in business, we have plenty of cash and we may as well just pay for the asset outright.

Well this might be true, but what happens next year if sales slow and funds are not there to cover business overheads and expenses. This is where financing becomes a valuable part of any business and following are many of the benefits associated with doing so.

1. Lock in a fixed interest rate for up to 5 years depending on the asset being financed. These rates vary but at present are approximately 7.5% fixed depending on what asset is being financed and term of loan
2. Use a particular finance product such as [Chattel Mortgage](#), Hire Purchase, or Finance Lease. With a Chattel Mortgage – customer owns the asset from the day one, can claim GST up front and interest / depreciation over the term of loan. Hire Purchase – Hire it now with an option to own later. Claim interest / depreciation over the term of loan. Finance Lease – Finance company purchases the asset; you enjoy full benefit of asset for regular repayments, with finance company disposing of asset at end of term. (always check these which product best suites with your accountant)
3. Structure your repayments to preserve cash flow in business. This is achieved by electing 1 – 5 year terms with or without balloon / residual payments. These final payments must fit within ATO guidelines and are available to the products as mentioned above.
4. Stay ahead of your competitors with the latest technology by upgrading your asset more frequently. This would be an enormous drain on your cash if you were drawing upon your cash reserves.
5. Establish excellent credit ratings with financiers that allow further lending in the future to grow and accelerate your business above other competitors

These are just some of the common benefits of financing rather than paying cash. As each business differs some of these may not relate to your business, but overall these points are certainly worth considering when acquiring your new business asset.

About the Author

James Peters is a Managing Director of 360 Financial Services.[360 Financial Services](#) is dedicated and committed to providing professional and personal service. Our main focus is making your experience as enjoyable and effortless as possible. We can assist you. Cars, trucks, plant, machinery, bikes, caravans, you name it: we will finance it.

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