



# EQUIPMENT FINANCING GUIDE



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# INTRODUCTION

If your business is in need of new equipment, you'll find that there are many different options for acquiring the funds to afford that equipment. But not every financing option offers terms that benefit your business in the long run, and when it comes to equipment financing, the services provided by your local bank often can't be customized to serve your company's specific needs.

Before you choose a financing option for your new equipment, it's important to do your research. Don't just look at the interest rates and repayment period. Details like equipment ownership, financing approval speed, and establishing a strong relationship with your lender can all have a material impact on your company's bottom line.

Looking for help to navigate the equipment financing process? Use this guide to evaluate your options and identify the financing approach that best serves your business needs.

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## WHAT TO CONSIDER

Don't choose a finance partner until you know what you're supposed to be looking for. Here are the top criteria and questions to keep in mind as you seek out financing options for your equipment:

- **Equipment finance agreements (EFAs) are almost always superior to leasing.** If you're exploring leasing programs to reduce the up-front cost of an equipment purchase, you need to take a step back and consider the long-term implications of this decision. While leasing offers benefits on the front end of a deal, it often hurts you in the long run, because businesses have to pay an extra fee to own their equipment after the leasing period is up. By purchasing equipment outright through an EFA, you can create better long-term value for your business.
- **Streamlined equipment financing can generate approvals in days, not weeks.** With a specialized equipment financing company like Centra, the application and approval process can be completed in as little as four hours.
- **Amortization schedules can provide predictability.** Predetermined fixed payments over time allow for more accurate business finance planning.
- **The role equipment will play in addressing your immediate business needs matters.** What kind of equipment do you need, and why? How will it support your long-term goals and success? What problems will be solved? What challenges will your business be able to overcome? For example, rapid growth requires rapid scalability, quick delivery, and so forth. Will the equipment you acquire help with these goals?

The differences between a traditional lender and a specialized equipment lender are significant. However, even among equipment financing partners, you need to consider not only the terms of a funding offer, but also your relationship with that lender, as well as the finance partner's relationship with your manufacturer.

Funding is only part of the equation—you also need customer service committed to your company's success.

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# WHAT TO KNOW AND WHAT TO FIND OUT

Before you start soliciting financing quotes and offers from lenders, you need to understand the different criteria to evaluate and weigh during your decision-making process. Here are some points to consider:

- **How does financing support your organization's cash flow and budgeting?** If you're considering financing alongside leasing or purchasing equipment with your cash reserves, consider how financing can improve your cash situation and provide a fixed monthly payment that is easy to account for in your budget. Figure out how long it will take to recoup your investment, and determine how that financing will be leveraged. Because equipment is a material asset, you should seek out financing that leverages this asset as collateral.
- **Which terms or options offer a benefit to your business?** The best financing options will give you flexibility over the terms of your repayment, as well as your ownership of that equipment. These options include:
  - **Instant ownership:** Instead of transferring ownership at the end of the repayment period, your business should find financing terms that give you ownership of your equipment from day one.
  - **The option to pay off early:** You shouldn't be charged a fee or interest for paying off your financing early.
  - **Simplicity:** Complicated financing terms are often designed to trick customers into paying unnecessary fees or interest. Centra keeps it simple so you aren't blindsided by unfair financing practices.



- **Which financing terms matter most?**

The interest rate is an obvious and important element of any financing offer, but it isn't the only thing you should be looking at. In some cases, a cheaper overall financing package can actually offer less advantageous terms and conditions for your business. Find out the terms, including payment schedule, costs, timeline, and so on.

- **Can this equipment be depreciated on your balance sheet?**

This is only true if you own your equipment outright—and some lenders may not give you this option. See your tax accountant to learn more about this benefit and how it can save you money.

The more educated you are about the equipment financing process, the better equipped you will be to spot the best financing offer and the best partner to finance your project.



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# WHAT TO LOOK FOR IN A FINANCING PARTNER

As you explore your options for equipment financing, look beyond the terms and conditions of your initial financing offer and consider the value of building a long-term relationship with that particular financing provider.

## COMPANIES THAT SPECIALIZE IN EQUIPMENT FINANCING

can be a valued partner over the life of your business. Here's what to look for:



❑ **A long-term partner with the customer's best interest at heart:**

Centra lets customers determine if both sides are a good fit for a financing partnership. This means you won't be pressured to accept a financing offer if you don't think the situation is in the best interest of your company. Centra prides itself on forging partnerships that benefit both sides of the relationship.

❑ **A partner who negotiates the best overall package or rate for their customer:**

Your partner should be providing a good rate paired with a product or plan that grows with customers, not a "one or the other" situation.

❑ **A partner who focuses on optimizing customer's cash flow:**

Financing is a tool for preserving cash flow and strengthening your financial position. Your partner should understand this goal and keep it in mind when building custom financing solutions.

❑ **Transparent communication and guidance from the beginning:**

A good equipment financing partner will pinpoint and inform customers of what might be needed or what might be on the horizon.

Equipment financing isn't just a one-off business transaction. When you find the right finance partner, you can cultivate a long-term relationship that pays dividends for years to come.

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# WHAT TO PREPARE

Before you approach a lender to officially apply for funding, gather the following documentation. This information will streamline the application process and lead to a faster approval.

For financing under \$150,000, all you need is the following:

- ❑ Complete the single-page online application
- ❑ Your three most recent bank statements

For amounts above \$150,000, you will need the above documentation, and may also need to prepare the following:

- ❑ Your last two years of personal tax returns (for owners of the business)
- ❑ Your company's last two years of tax returns
- ❑ Interim financial statements

Keep in mind that the initial discovery process won't have any impact on your credit score. This allows you to learn more about your financing prospects without any risk whatsoever. A good partner will make this documentation process as simple as possible, guiding you through the steps you need to take to set up a seamless application and approval process.



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# USE EQUIPMENT FINANCING TO PLAN FOR YOUR FUTURE

Equipment financing typically provides an immediate business solution to an urgent need, but as you purchase this equipment, don't overlook the long-term implications of the decisions you're making today.

Be thoughtful and strategic in seeking out equipment financing, and choose the lender and financing offer that positions your company for both short- and long-term success.

Start the application process today.

[Apply Now!](#)

