

Technology Leasing 101

Terms | Options | Management Tips |
for IT Professionals Making Finance Decisions



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Chapter 1

Introduction

Understanding the complexities of leasing and finance can help you make the case for obtaining the technology your organization needs in the **most cost-effective way**.

As an IT professional, it's important to be able to have relevant conversations with your CFO, the **manufacturer or OEM** who makes the products you're considering and the bank or leasing company that has been recommended to you.

The eBook is designed to help you find some common ground with finance and make **better-informed recommendations** for new technologies.

The eBook is designed to **help you** find some common ground with finance



Leasing Vocabulary

To lay **the foundation for this eBook** the following are definitions of some general leasing terms. Understanding this vocabulary will help you ask better questions and **get better answers** when engaged in leasing conversations.



Time Value of Money

The fundamental underlying principal that guides investment decisions. The simple takeaway is that money now is worth more than the same amount of money later.

Lessor

The lessor is the bank or financial institution who is leasing the technology products and services to you. This is usually not - and should not - be your technology consultant or VAR.

Lessee

The lessee is the person/company leasing technology products and services. (This is you.)

Term

The length of the lease agreement. Typical technology leases range from 24-60 months depending on the technologies being leased. However, a lease can be for any term



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Capitalized Cost

This is basically the negotiated price of the technology products and services. Think of this as your complete bill of materials (BOM). Capitalized cost becomes one of several figures used in calculating a monthly lease payment

Residual Value

The lessor's prediction of what the technology products will be worth at the end of the lease. The residual value is important because it affects your monthly payment: the higher the residual, the lower your monthly payments.

MSRP (Manufacturer's Suggested Retail Price)

Many advertised lease offers are based on MSRP or above. However, the MSRP is not necessarily your final price.



Sales Tax

Instead of paying the full tax amount upfront, a portion of every monthly lease payment is paid for sales tax. In addition, you pay tax only on the dollar amount of the technology products and services you are using - not on the residual value.

Payoff Amount

Sometimes called buyout amount, this is the amount of money you have to pay to own the technology products that you originally chose to lease. The payoff amount might be different from the residual value because of a refunded security deposit.



Security Deposit

The security deposit is usually equal to one monthly payment. Multiple security deposits can sometimes be made to reduce the interest rate and monthly payments.

Excess Wear and Tear

Most lease contracts have a clause, which states that the company leasing the technology products and service is responsible for the cost of “excess wear and tear.” Read your contract carefully to understand what is considered “excessive.”



Depreciation

In leasing, depreciation is the difference between the cost of the technology product when it is brand new and the value of the technology product at the end of the lease (plus tax, interest and various leasing fees).

Subsidized or Subvented Lease

The manufacturer or OEM is either offering a very low interest rate or is inflating the residual value of their products. Both tactics have the effect of lowering the monthly payment for you, the consumer.



Early Termination

This is when you switch to a different product before your lease term is up. Be careful: this can be a useful tool, but it can also be very costly.

Gap Insurance

If your technology breaks or is stolen, there might be a gap between insurance coverage and the amount owed to the leasing company. If you take out gap insurance (it is included in some lease contracts) you will be covered for this loss.

Money Factor

Also called a lease factor or lease fee, this is the interest rate you are being charged. It is expressed as a multiplier that can be used to calculate your monthly payments.

Financing Decisions



Your organization has a **number of options when it comes to financing IT decisions** - including cash, credit lines and different leasing choices.

When your organization is procuring new technology products, understanding the options available can help you make **smarter purchase decisions**.

This section will cover the details of common options for IT product procurement and the pros and cons of each.

Outright Purchase

When you purchase your new technology products and services outright, you assume full ownership at the time of purchase

There are two basic ways to finance an outright purchase:

- 1) **You pay cash.**
- 2) You use one of your company's **lines of credit.**

Once you make the purchase, your company will likely choose to either expense or depreciate the IT assets (generally determined by the dollar value).



you assume **full ownership** at the time of purchase



Outright Purchase Pros:

- You own the assets.
- You get to squeeze every last drop of useful life out of the assets.
- You can choose to expense or depreciate the assets, potentially giving you an accounting advantage.

Outright Purchase Cons:

- You have to take cash out of the bank or leverage a credit line to make the purchase.
- You have to pay the full sales tax amount for the purchase (unless you work for a school or non-profit).
- You may have limited ability to return the product and/or upgrade inexpensively.

Pay-Per-Use

In IT pay-per-use is typically attributed to software as a service (SaaS) and copier/printer technology refresh projects.



Pay-per-use models typically include a bundle of products and services. For example, a pay-per-use model widely used in the copier industry is cost-per-page.

Be aware that it is **nearly impossible to compare a pay-per-use procurement option to a non pay-per-use**. This is because though pay-per-use options are usually more expensive than a typical lease or outright purchase, they also come bundled with more value.



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Pay-Per-Use Pros:

- Essentially, this is a rental agreement that can be treated as an operating expense.
- Flexible options if you choose to stop using the service (common of SaaS programs).
- You get a lot of extra value for the dollar.

Pay-Per-Use Cons:

- You always have a payment.
- You never get to own the product, only use it.
- It can be difficult to compare costs to more traditional procurement models.

Leasing

Leasing is simply another type of credit line that is extended to your company by a bank or leasing company. There are two basic types of lease arrangements: **capital and operating**.

Capital Lease

In a capital lease, your organization assumes only some of the risks of ownership. As the lessee you are obligated to report a capital lease as an asset and a liability on your balance sheet and your organization can claim depreciation on the assets.

Operating Lease

Only the right to use the technology is transferred from the lessor to the lessee. Operating leases do not show up on your balance sheet.



Capital Lease Pros:

- Payments and sales tax are spread out over the term of the lease.
- End-of-lease options include outright purchase of the residual or return to the lessor.
- For a fee you can terminate your lease before the end of the term.

Capital Lease Cons:

- Considered an asset and a liability on your balance sheet.
- Money factors and monthly payments are typically higher for capital leases versus operating leases.

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Operating Lease Pros:

- Payments and sales tax are spread out over the lease term.
- Payments are treated as an operating expense.
- Typically lower money factors and payments versus capital leases.

Operating Lease Cons:

- It's harder to qualify for an operating lease than a capital lease.
- You cannot negotiate upfront for an end-of-term buyout price.
- Early termination can be very expensive.



Note: We discuss more about capital and operating leases in the [Capital vs. Operating Leases](#) section.

Advantages of Leasing

Out of all the the financing options we just mentioned, there are **several potential advantages to leasing** which we will discuss in detail in this section.





Options

Leasing provides your organization numerous ownership options. Your new IT products and services can be leased for a term and then returned, renewed, extended or purchased.

No Down Payment

It is typical to put \$0 down when leasing IT products and services. However, making a down payment lowers your monthly lease payment, so it may not always be the best option to forego this initial payment.

Everything is New

Almost all leases for IT products require that the products being leased are brand new. This means that you get the full benefit of the manufacturer's warranty and don't need to worry about existing wear and tear.

Balancing Cost and Value

Leasing gives you an advantage if the monthly lease payment for a bundle of IT products and services creates a return that exceeds its cost. By using equipment for its lowest possible monthly price, you increase your organization's monthly net revenue.



Fixed-Rate Financing

Leasing provides your organization numerous ownership options. Your new IT products and services can be leased for a term and then returned, renewed, extended or purchased.

Less Sales Tax

It is typical to put \$0 down when leasing IT products and services. However, making a down payment lowers your monthly lease payment, so it may not always be the best option to forego this initial payment.

Flexible Payments

Almost all leases for IT products require that the products being leased are brand new. This means that you get the full benefit of the manufacturer's warranty and don't need to worry about existing wear and tear.



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Increased Purchasing Power

Leasing can increase your purchasing power by extending your credit or keeping your payments as low as possible.



Gap Insurance Included

Some leases include free gap insurance. Meaning if you break a machine beyond repair or it is stolen, you'll be covered for the gap between what your insurance company will pay for the loss and the amount you owe.

Fewer Service Issues/Costs

Many IT products come with a three-year manufacturer's warranty. Leasing potentially gives you the advantage of never being out of warranty, therefore keeping your ongoing service and maintenance costs down.

Conserve Working Capital (Cash)

Leasing allows you to keep cash in the bank or invested in higher priority projects. Since IT product lifecycles and depreciation are very short, paying for IT products and services with cash may not be the best use of your money.



Preserve Your Credit Lines

Your bank lines are more useful to your organization for inventory, accounts receivable and emergencies. Tying up bank lines with fixed assets decreases your borrowing power.

Capital vs. Operating Lease



As previously mentioned there are two types of leases – **capital and operating**.

Capital leases transfer ownership of the leased product, while operating leases only transfer the right to use the technology.

We'll dig a bit deeper into the requirements and specifics of each type of lease in this section to help you decide which is best for your organization.

Why the Financial Details Matter

As an IT professional, you need to know your organization's preferred accounting treatment for leases. This will affect your strategy when evaluating lease options.



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Capital Lease Overview

In a capital lease, your organization only assumes **some of the risks of ownership**.

The lessor (leasing company or bank) is purchasing an asset on your behalf.

The lessee (you) has use of the asset during the lease term.

You make **rental payments** (including tax and interest) to the lessor that cover a large portion — or all — of the asset's original cost.



Capital Lease Overview (Cont.)

Your organization records the capital lease on its balance sheets as an **asset and a liability**. At the end of term, **you have many options available**. You may choose to purchase the asset outright, return the asset to the lessor, or extend the term of the lease and continue to make payments. **Costs to purchase outright are usually low**.

	GROUP	2015 \$'000 (restated)
Non-current assets		
Property, plant and equipment	50,161	45,421
Intangible assets	116	2,256
Subsidiaries	22,251	7,344
Other	1,933	5,352
	737	12
	579	904
	75,777	61,379
		61,805
		112,489
		85
		20,900
		300

General Rules of Capital Leases

#1 You can choose a longer lease term - sometimes as long as 72 months.

#2 Leasing may be a better way to make payments than using a bank line.

#3 It is easier to get approved for a capital lease than a new bank line.

#4 You can bundle a lot of services into a capital lease.

#5 There are no restrictions regarding the present value of the equipment.



General Rules of Capital Leases (Cont.)

- #6 May provide a way to finance services of a specific service contract when structured as a \$1 buy out (12 or 18 months).
- #7 You can negotiate your lease payment and residual value (either fair market value or \$1 out).
- #8 There are no restrictions regarding a bargain purchase option.
- #9 Creative way to keep your monthly lease payments low.

Operating Lease Overview

- The lessor purchases an asset on your behalf and the lessee has use of the asset during the lease term.
- You make **rental payments** (including tax and interest) to the lessor, which only cover the use of the asset for the term.
- Your organization records the lease as an **operating expense on income statements.**
- At the end of term, the lessee has the same options available as with the capital lease. However, if you choose to purchase outright, **the cost to take ownership can be very high.**

Operating Lease Overview (Cont.)

Per the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 13, the following requirements must be met for operating leases:

- The lease **does not transfer ownership of the property** to the lessee by the end of the lease term.
- The lease **does not contain a bargain purchase option** (unlike the capital lease, where you are often able to purchase the asset at lease end).
- The lease term **is equal to less than 75% of the estimated economic life** of the property.
- The **present value** of the minimum lease payments, assuming an appropriate discount rate, **must be less than 90% of the fair value** of the property at lease inception.



General Rules of Operating Leases

#1 You probably will not find a 60-month operating lease for PCs, laptops, printers or other IT products, because the lease life would exceed 75% of the useful life of the asset and payments would exceed 90% of the present value of the asset.

#2 You will be limited as to how many services dollars (soft costs) are wrapped into the lease because services are not tangible and cannot be recovered by the leasing company. Also, payments would exceed 90% of the present value of the asset.

Services are **not tangible**
and cannot be recovered by the
leasing company

General Rules of Operating Leases (Cont.)

#3

You will most likely refresh your technology products and services at the end of the term because buyouts are based on fair market value and can be very cost prohibitive. In addition, your money factor may require you to return all of the assets at the end of the lease.

#4

You cannot negotiate the residual value of the assets to be leased because the lease cannot contain a bargain purchase option. Also, the low residual values may cause your payments to exceed 90% of the present value.



Understanding Lease Payments

The process by which you calculate a monthly lease payment can be tedious. When looking into several lease options, **filling out a table can help** determine which package offers the best deal and how each would compare to **financing costs for purchasing.**

The following pages contain examples of how to determine a lease payment, along with **some common questions.**

An Example

Let's say your business needs a \$38,000 multi-function plotter. You can finance the plotter for \$1,250 per month for 36 months, or you can lease it for \$790 per month for 36 months. In this example, the lease price appears to be **significantly less expensive per month**.

On the following page is a pre-calculated lease for your new multi-function plotter. This example represents the major inputs and outputs that a leasing company or bank will use when calculating a lease payment. **The goal is to understand the definitions** of the various components that make up a lease payment.

The yellow highlighted cells are your inputs. All other cells are calculated for you.

Large Ticket Deal

Lease Term	36
Maintenance (soft cost)	\$ 3,000.00
Installation (soft cost)	\$ 1,000.00
Hardware (hard cost)	\$ 34,000.00
Total Finance Amount	\$ 38,000.00
% Soft Cost	10.5%

- **Lease Term** is set to 36 months.
- The **Maintenance, Installation, and Hardware** represent the purchase price of the products and service.
- **% Soft Costs** is the percentage of the **Total Finance Amount** that cannot be recouped by the leasing company at the end of the lease term. In general, soft costs increase your money factor.

Lessor Total Equity	32.50%
Fee - Reseller	1.00%
Net Equity for LRF	31.50%
Lessee Debt Rate	6.25%
Lessee LRF	0.02081
Lessee Payment	\$ 790.72

- The **Lessor Total Equity** is the percentage of the Total Finance Amount that is the lessor's responsibility at the end of the lease. This is basically lessor's guess as to how much your plotter will be worth at the end of 36 months, and may include a **Reseller Fee**.
- The **Lessee Debt Rate** depends on your credit worthiness. (This example assumes investment-grade credit.)
- **Payment = LRF * Total Finance Amount**

PV of Rents %	68.50%
PV of Rents Amount	\$26,030.00
Lessor Equity Amount	\$ 12,350.00
Lessor Equity Against HW	36.32%
Lessor Equity Total	32.50%
Lessor FV Equity	\$19,314.71
Lessor FV Equity % of HW	56.81%
Lessor FV Equity % of Total	50.83%

- The **PV of Rents Amount** is the present value of 36 monthly lease payments.
- The **Lessor Equity Amount** is the lessor's estimate of plotter will be worth at the end of the lease.
- The **FV Equity** is a future value equation that the lessor uses to estimate how much money the plotter can be sold for at the end of the lease term. Most leasing companies will use industry-established residual values to estimate their **Total Equity** and **FV Equity** risks.

Before signing any lease agreement, there are likely **a few basic questions** that you'll want to be able to answer. Using the example and table above, let's go through a few of the major ones

#1 How do I know if \$790 per month for 36 months is the correct monthly payment?

Your monthly payment for any lease agreement is calculated based on a number of factors, including: **Total Finance Amount, Soft Costs, Lease Term, Lessee Debt Rate** (determined by credit worthiness) and **Lessor Total Equity**.

Therefore, the payment you're quoted will always be correct; there is no grey area in the calculation.

#2 How does the leasing company make its money?

The leasing company makes a **small amount of money** based on the debt-rate spread. The lessor also has a cost of funds. If its cost of fund is 6% and it passed along a debt rating of 6.25%, the leasing company only makes 0.25%. Leasing is a competitive business so the spreads are typically very low.

The leasing company makes most of its money by reselling the plotter at the end of the term. Therefore, **it is in the lessor's best interest** to keep their Lessor Total Equity as low as possible while keeping the Lessor Future Value Equity as high as possible. However, the leasing company cannot arbitrarily set these amounts because the market for used plotters is based on **industry-established residual values**. This is true of almost all technology product leasing agreements.

#3 How much interest am I paying?

In the previous example, your organization is paying 6.25% interest (see the Lessee Debt Rate). Keep in mind that many leasing companies do not discuss interest rates, only money factors. Therefore, you may need to **ask about the interest rate being used** to calculate your lease payment.



#4 Am I getting a good deal?

In this example, you got a good deal. The lessor is taking a very high position in the deal and is rating your organization's credit as investment grade. **Debt rates will be higher for small ticket transactions** but should be better than credit card rates. Larger deals will require financials from the customer and be **priced aggressively**. Your ability to get a "good deal" depends on two things:

Your organization's credit — something that you cannot directly affect.

The lessor's familiarity with the types of products that you are considering leasing — a leasing company that specializes in plotter leases will take a more aggressive position in your plotter lease than a leasing company that specializes in other products.

Please feel free to [download](#) the Leasing Calculator Excel sheet and use it to evaluate your next leasing option.

Choosing a Lease Partner

More often than not, the lessor is chosen based on a recommendation by a reseller or VAR. (Or worse, the reseller/VAR is the leasing company.) In the next section, we'll discuss the benefits of independently **evaluating your lessor options.**

Picking a lease partner is a **long-term decision** and there are multiple attributes to consider when choosing a strong lease partner.

At the end of the day, your lease partner is going to play a significant role in your organization. A bad choice in lease partner can cause a lot of pain 36-60 months down the road. For this reason, **it's important to choose a company you trust.**



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References

A lease partner with a good track record and nothing to hide will be happy to share references with you. It's a good idea to ask for both client (end user) and reseller/VAR references.

End-of-Lease Process

Ask your potential lease partner to talk with you in detail about their end-of-lease process and costs. These costs can turn the low upfront monthly payments into a high-cost nightmare 36 months later.

Brand Agnostic

It is not recommended to partner with a leasing company that specializes in a specific brand, as you will then have to manage multiple lease partners for your different products.

Ability to Finance Challenging Credits

The lease partner should have experience extending credit even when there are credit-risk challenges.

Consistent Money Factors/Lease Rates

A strong lease partner should offer consistent money factors. Money factors should only fluctuate based on the residual value of each product

Availability of Funds

Your potential lease partner should have good access to low-cost funds (meaning cash in the bank as well as multiple credit lines).



Strong “Small Ticket” Program

Make sure that your potential lease partner has the ability to finance both small and large-ticket transactions.

Creative Financing Solutions

Financing options should be flexible. Not every lease has to be the standard 36-month operating lease or 60-month capital lease. Ask your potential lease partner for examples of when they had to get creative to earn a sale.

Asset Management Software Tools

A quality lease partner should offer online tools to help you, the lessee, access and manage your lease schedules as well as provide you with training to use them.



OEM Leasing Programs

Technology OEMs (Original Equipment Manufacturers) know that product price is a very important factor when earning your business. What you might not have considered is how OEM leasing programs **can help you reduce your costs** even further.

There are two main benefits of OEMs:

They are very familiar with the products being leased, hence an aggressive residual position.

They can remarket the products after the lease term, hence an aggressive money factor.

As an IT professional, it is important to review this option before **selecting a lease partner.**

Because of the positive impact on hitting sales targets, **almost all large technology OEMs** have a finance or leasing division. OEM leasing programs can be summed up into three categories

#1 **Special Offers & Promotions:** Apply to a small number of products.

#2 **Standard-Lease Programs:** Apply to a large number of products and services.

#3 **Custom-Lease Programs:** Apply to a large number of products and services.



Special Offers & Promotions



Special offers and promotions fall into their own category because they are typically focused on either a **specific product** or a **specific leasing structure**.

An OEM may, for example, create a special lease offer on a specific **technology model that is in great supply** or that is going to be at end of life in the near future. An OEM may also offer you the opportunity to buy any product you want **within a specific lease structure**.

This type of promotion is targeted toward small and medium-sized businesses.

Standard-Lease Programs

OEMs frequently offer FMV (Future Market Value) lease programs which typically work like the diagram on the next page suggests.

Keep in mind that the OEM is **playing a numbers game**, giving up some of the product profit in exchange for interest-rate profit, as well as **the ability to resell** the refurbished products after you return them.



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Custom-Lease Programs

Custom-lease programs **operate similarly to standard-lease programs**, however, they are typically used for large-ticket sales. For example, if your company is considering leasing \$250,000 or more in products and services there is a good chance that an OEM will put together a **special money factor just for you.**

Keep in mind that special money factors may have other provisions, such as quarterly takedowns and interim rent payments. You may be quite interested to see how aggressive an OEM's lease rate will become when given the opportunity to sell you a **large quantity of products.**

Interest-Free Leasing



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Banks and leasing companies typically are not willing to loan interest-free money. OEMs, on the other hand, **sometimes provide this type of low-cost lease** in an effort to hit their sales and revenue targets. Before taking advantage of 0%-interest leasing, there are two key things to consider:

Existing Lease Partners - If you already have a strong lease partner, the OEM programs may be more difficult to justify due to additional complexities or risks involved in deviating from your existing relationship.

Effect on Business - There are certainly instances when entering into interest-free leasing agreements makes good business sense. Think of 0%-interest leasing as an opportunity for additional product discounts.

Small Business Programs

If you work for a small or medium-sized business your budget for IT purchases may be limited, making 0% interest leasing an attractive option.

One style of program offered by many OEMs, that may help make your procurement less expensive, is a **short-term, 0%-interest, \$1-out lease**. Typically, this would be used for convenience financing (company wants to own equipment at end of lease) and also works well for service contracts.

While the term is very short (typically 12 months), this type of lease is still considered a capital lease because of the \$1-buyout structure and transfer of title at the end of the lease. **This can be a great alternative** to borrowing money or using a bank line to finance the purchase.



Medium & Large Business Programs

Most medium and large organizations have strict lifecycle/refresh policies in place for technology and more stringent finance and accounting rules regarding technology product and service purchases.



Most medium and large organizations have **strict lifecycle/refresh policies** in place for technology and more stringent finance and accounting rules regarding technology product and service purchases.

You should be aware of these policies which may prohibit you from deciding to finance a large technology purchase for more than 12 months.

However, for these technology purchases the **OEM may also offer an interest-free FMV lease**. With this option you'd be financing the fair market value — rather than the residual value — of the leased products/services. The leasing company can take a stronger equity position in the equipment to support the interest free lease. The leasing company has to pay for a service contract completely, **making it harder to appear interest free**.

Managing Lease Schedules

After successfully leasing new technology equipment and/or services, it is important to **manage your lease schedules on an ongoing basis.**

Lease schedules will affect future budgets. Without the proper attention they can cause you to make hasty decisions that may hurt your budgets, prompt you to make month-to-month payments or incur costly end-of-lease penalties.

The good news is that managing your lease schedules **can be very easy** and if done correctly, put you in a position to be proactive with technology refresh projects.

A lease schedule is simply a **list of leased equipment** that includes information such as the equipment description, lease start date, term and monthly payment. Below is a sample lease schedule.

Sample Client Name	Lease Number: 12345			Schedule: A		
Equipment Description	Serial Number	Sub-Lease Number	Lessor Asset #	Lease Start Date	Term	Monthly Payment
HP LaserJet Printer A	123456789	0000-1111	11111	Mar-10	39	\$ 150
HP LaserJet Printer B	234567891	0000-1111	22222	Mar-10	39	\$ 250
HP LaserJet Printer C	345678912	0000-1111	33333	Mar-10	39	\$ 550
Lenovo ThinkPad X	456789123	0000-1111	44444	Mar-10	39	\$ 65
Lenovo ThinkPad Y	567891234	0000-1111	55555	Mar-10	39	\$ 65
Lenovo ThinkPad Z	678912345	0000-1111	66666	Mar-10	39	\$ 75

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It is common for lease schedules to be available in two basic formats:
presented as **data in a web browser** or in a **simple spreadsheet**.

Most leasing companies and banks have some type of **client-facing online tool** that you can use to access this data over the web.

However, if you have multiple lease partners and lease schedules, you'll want to **collect all of the raw data** from each of your lease partners and organize it into your own consistent, usable format. Following are some suggestions for doing so.

Establish an Internal Expert - designate someone on your team that can become well-versed in leasing, knows the internal operations related to leasing and knows how your financial decision makers prefer to leverage leasing options. **Create goals or incentives** for this person so that your technology refresh projects are attended to proactively and in a way that **minimizes cost.**

Review Access to Online Tools - Ask for a software demonstration from your lease partner(s). Confirm that the software meets your needs, is **easy to access and easy to use.**



Designate someone **on your team** that can become well-versed in leasing



Obtain Outside Support - Ask your preferred reseller or VAR how they can add value through **lease schedule management**. It may be the case that the reseller or VAR has a solution and all you have to do is ask for it.

Use your Lease Schedule Information for Purchasing - Knowing your lease end dates gives you time to analyze your options, interact with the leasing company and **get additional information** from manufacturers, resellers and VARs before making a decision.

Manage Equipment Return Processes - Working with the lessor, establish a process for communicating the disposition of each asset on your lease schedule at the end of lease. The process should be **started well in advance** of the term expiration so there is enough time execute the refresh smoothly.

Structure on Quarterly Payments - Using quarters instead of months can **reduce the amount of volatility that you manage.** Less volatility means more control. Also, if your organization budgets on quarters rather than months, aligning your lease schedules with your budget cycles (either fiscal or calendar) makes leasing easier on the entire organization.



Managing End-of-Lease Processes

There comes a time in the life of all IT assets for them to be replaced.

As a part of your project planning, the displacement/repurposing of old assets becomes **critical to your success**. When you choose to lease and are conscious of lease terms and end dates, **displacement and disposal of old assets becomes predictable**.

This final section addresses ways to successfully retire IT assets.



Plan for the Costs

One way to reduce your end-of-lease costs is to plan for them and build some of these expenses into the lease payments.

Plan for the End of the Lease Early

By planning at the beginning of your engagement, you give yourself the maximum amount of time available to pull off a successful end-of-lease project. If you choose to begin planning later, you should start at least six months before the lease end date.

Engage Your Lease Partner

Treat the leasing company like one of your own internal resources. They are, after all, your partner. Meet to discuss their requirements and possible approaches.



Consider Working with a VAR/Reseller - End-of-lease services are common among **VARs and resellers** and many have built tremendous scale around them. If you are a part of a small- or medium-sized business, this may be a cost effective option to pursue.

Involve The Manufacturer - If the manufacturer was involved in any part of the leasing process, they may also offer end-of-lease services and **creative solutions to lower your current end-of-lease costs.**

THANK YOU

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