WATCH OUT! SIX LIFT TRUCK LEASING TRAPS TO AVOID

Preserve cash, replenish aging equipment with the latest technology and avoid the long-term hassle of exponentially growing maintenance. Leasing lift trucks has clear benefits, but the lease contract can sometimes be rather confusing.

For example, who are you leasing from? The original equipment manufacturer (OEM) or a third-party leasing organization? For better and for worse, practices across groups can vary greatly. In fact, they can vary so much that comparing the true costs of a lease can be anything but straightforward.

Beware looking at just the monthly payment. The devil is in the details, and if businesses do not carefully review the fine print, choosing the lease with the lowest monthly payment can turn out to be a very expensive decision.

How can you better understand the true cost of a leasing agreement? Watch out for these six ways that seemingly cheap lease deals can cost you.

1 // THE DOC FEE

Most lease deals include a documentation (doc) fee. But not all doc fees are the same, either in amount or frequency. Look for a doc fee that comes as a low, one-time expense. Lease terms with a seemingly low payment but with hidden, recurring doc fees may offer the illusion of value, but really use complexity to hide higher costs.

2 // OVERTIME FEES

If users accumulate truck run time beyond the hours specified in a lease contract, they can incur additional costs at the end of the term. However, the severity and communication of overage penalties can vary greatly. OEMs ultimately want repeat equipment orders, which motivates them to communicate the risk and cost of overtime upfront, and potentially show leniency when leveling overage fees. For example, if a business needs to add shifts, which causes lift truck use to increase, an OEM can adjust the lease agreement terms without penalty and avoid overtime charges.

3 // END-OF-TERM REPAIR BILLS

The dealer, manufacturer and leasing company work together to deliver the lowest cost lease product possible, and at the end of the term, success means a satisfied customer ordering a new truck. Manufacturer and dealer organizations specialize in liquidating their own equipment and other measures to help minimize repair and other unplanned costs at the end of the lease. During the lease term, they can even provide short-term rental equipment to bridge the gap and cut fleet operators a break in the event of unplanned down time that necessitates a repair.

4 // INTERIM RENT

Some leasing organizations start the lease term on equipment delivery date. Others, however, start the lease term either on the first of the month or beginning of the quarter, leaving you to pay interim rent to cover the time between equipment delivery and the lease term start date. Make sure you know the true start date of your lease and most importantly, confirm that the lease start date aligns with the date you need to start using the equipment. If a lender starts the lease based on their needs – not yours – the difference can cost you months of additional payments.

5 // AUTOMATIC RENEWALS

What happens if you do not proactively notify the leasing organization of your intentions at the end of the term? If your equipment has not been returned by the end of the scheduled lease term, what then? End-of-lease decisions to replace, re-lease, purchase or return lift trucks take time. Beware of potential automatic extensions if no decision is made in time. Some lenders will automatically lock in extensions of three, six, nine or even a full 12 months – without you explicitly opting in.

6 // FREIGHT CHARGES

Last but certainly not least, charges to return equipment at the end of a lease term are often the greatest unforeseen expense. Without local dealers, most independent, third-party lenders have all off-lease trucks shipped to a designated holding yard at the lessee's expense, regardless of location – whether that's nearby or across the country.

Never sign leasing documents without thorough review and discussion that covers much more than the monthly payment. Otherwise, you may unwittingly agree to numerous terms and conditions that can lead to unpleasant – and expensive – surprises.

Find a leasing partner that works through a consultative process to tailor a program to your specific needs and focuses on the total, overall lease cost. Taking this approach can ultimately save you time, money and headaches during and after the lease term.

For more information on how a leasing program can be structured around you, visit the Hyster® Capital financing page.

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