# Q&A: LIFT TRUCK FINANCE AND LEASING OPTIONS

With so many choices for procuring and using lift trucks, many questions emerge as businesses sift through each option to evaluate which is right for them. Two common options are purchasing and leasing, each with their own pros and cons.

Purchasing means embracing the freedom of full ownership and shouldering the burden of maintaining and ultimately offloading outdated equipment that needs to be retired or replaced. Leasing offers many of the same benefits as purchasing, but with some key advantages. However, when considering leasing, operations must be vigilant – leasing terms can vary greatly across lenders. This document answers common questions related to lift truck leasing to help businesses get a better understanding of what leasing options look like.


## *IMPORTANT TERMS TO NOTE*

**Here are three common methods for procuring lift trucks for both long- and short-term use.**

- **Leasing** allows businesses to avoid the financial strain of an outright purchase, and instead pay for usage in low monthly payments. Lease replacement cycles keep fleets updated, avoiding high maintenance costs, concerns related to outdated equipment and an underperforming fleet.
- **Purchasing** gives businesses full ownership once fully paid off, with unlimited equipment usage, but the responsibility of maintenance and offloading aging units.
- **Renting** helps businesses that need a piece of equipment for a short period to support a variety of temporary situations like seasonal fluctuations in demand or one-off projects. This is not a recommended strategy for effective long-term fleet management.

## 1 // HOW DO WE KNOW IF LEASING IS RIGHT FOR OUR BUSINESS?

If your business prioritizes greater cash availability and newer equipment, leasing can make sense for several reasons. First, low upfront costs avoid the impact of a large down payment and smaller monthly payments preserve more cashflow. Lease terms lasting from 12-84 months are typically available from most lenders, enabling businesses to refresh their fleet with new equipment at regular intervals, offering the freedom to regularly re-evaluate fleet size and composition as business demands change.

Frequently replacing outdated equipment with newer models is the best way to take advantage of advances in technology and ergonomics, supporting operators so they can better maintain lift truck operating best practices. If your business is looking for cost-effective, long-term fleet management with access to the latest technology and none of the headache of getting rid of old equipment, leasing could be the right option.

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## 2 // WHAT ARE SOME IMPORTANT FEES AND DETAILS TO LOOK OUT FOR IN A LEASING CONTRACT?

No two leasing organizations are the same, so consider all aspects of a contract – not just the top-line monthly rate. Hidden fees can turn a seemingly affordable lease into an expensive proposition.

- **A doc fee** can be a manageable, one-time charge that covers the cost of processing documentation or a larger, recurring fee that applies to each deal – the exact nature depends on your lender.

- **An overtime fee** applies if the equipment usage exceeds the stated hourly maximums and if units are not returned on time. Some lenders offer flexible terms to avoid or mitigate the effect of overtime fees, but the availability of such terms depends greatly on the leasing organization.

- **The return fee** can be the most expensive unforeseen cost based on where the truck is used and where it must be returned. For example, while a lift truck manufacturer has a network of local dealers ready to make equipment return very easy, an independent lender does not have nearby local resources to provide the same experience. Instead, they may have all off-lease assets shipped to a single holding yard at the lessee's expense – no matter the distance.

- **A repair fee** covers unplanned costs outside of regularly scheduled maintenance. While repairs cannot be eliminated, an original equipment manufacturer (OEM) works to take care of service or replacement quickly and can offer varying levels of flexibility to restructure agreements to account for real-world usage. During the lease term, they can even provide short-term rental equipment to bridge the gap.

- **Automatic renewals** can extend contracts for a month, quarter or even more. Beware of any auto-extension periods after the original, scheduled term has ended. Some lenders will lock businesses into automatic extensions if lessees do not provide notification of their intent to return. End-of-lease decisions take time, so be sure to plan ahead, provide formal notification of lease end and start the process of procuring new trucks with plenty of time.

- **Interim rent** is an additional charge that some lenders levy to cover the time between equipment delivery and the actual lease start date. Some lenders may have all their leases start at the beginning of the month or quarter, and require lessees to pay extra for time between actual equipment delivery and the beginning of the next month or quarter, which can result in months of additional expenses.

## *WHY LEASE RETURNS MAY NOT BE SO SIMPLE*

Regardless of where the equipment must go in the U.S. – across the country or down the street – there may be a return or restocking fee at the end of a lease. These stipulations can require that customers pay the cost of shipping equipment at the end of the lease, no matter how far. For example, a lumber business based in Missouri may need to return equipment back to Atlanta or even all the way across the country – all on their own dime. Policies like these can be easy to miss, so pay close attention to what is required for returning equipment.

In addition to travel distance, manufacturers may require products to be returned with original packing material, manuals and other original items or accessories. The value of missing materials may be charged to the customer.

## 3 // HOW DOES LEASING THROUGH AN OEM COMPARE TO WORKING WITH ANOTHER LENDER?

With an OEM, leasing can be a strategic fleet management exercise. When it's time for a new lease every few years, the OEM can leverage internal fleet management experts to build an ideal fleet and restructure a new lease, tailored to how business needs have evolved since the previous deal. The OEM will also time equipment replacement and lease start date, so there is minimal overlap when the old lease ends and the new lease begins. Maintenance is another important aspect of leasing through an OEM, as service costs can be bundled into lease pricing, and the OEM's dealer network provides local, factory-trained technicians to take care of service.

But the biggest difference between an OEM and another lender is that the OEM is focused on creating an elevated experience to retain customers. Other lenders are typically focused on the immediate sale, and avoid discussion of the complete, long-term lease experience. This can sometimes lead to brokers and other leasing organizations providing deceptively low lease rates that are filled with hidden fees that add up quickly down the road. The OEM, however, is more likely to give leaseholders the freedom to make changes to better fit their business. As mentioned previously, they want to make their customers happy to encourage repeat businesses in the future.

## 4 // WITH LEASING DESIGNED AS A LONG-TERM PLAY, WHEN ARE SHORT-TERM RENTALS APPROPRIATE?

A short-term rental is a great choice for seasonal changes in demand and unexpected growth. Rentals are there to support businesses when there is a temporary need, but this shouldn't be used as a fleet management strategy.

Rates for rentals are significantly more expensive than longer-term lease prices – sometimes 2-3 times higher – due to the quick availability and shorter term. And while customers get immediate access to equipment, options are limited to generic specifications that do not allow businesses the efficiencies of a customized fleet. If a business wants to build a lift truck fleet without some of the hassles of full ownership, leasing is better than renting for longer-term use.

**Some OEMs offer flexible plans that empower businesses to tailor lease terms based on their daily reality.**

- **Pay only for hours used**, enabling lessees to avoid paying for unused hours and completely avoid overtime – a standard hourly rate based on real usage
- **Choose when to pay** by creating a customized payment plan with invoices scheduled to match cash flow, month-to-month lease extensions and no auto-extension periods
- **Defer payments** to a later date with the option to skip payments and make them up later
- **Leave the lease early**, with no penalty in most cases
- **Use mid-lease reviews** to adjust hours, attachments, applications and other terms based on real-world use information

## 5 // I'VE ALWAYS JUST PURCHASED. DOES LEASING REALLY MAKE SENSE?

Sure, owning equipment gives businesses greater autonomy in how they use lift trucks, with no restrictions or overages related to usage limits, but there are some significant disadvantages to ownership. Paying for equipment upfront requires sinking significant capital into a depreciating asset. Plus, it can be challenging to sell outdated, heavily used equipment and holding on to obsolete machinery often means more frequent repairs, increased downtime and higher maintenance costs.

Leasing allows businesses to make smaller monthly payments and greatly reduce up-front costs compared to purchasing. And the lending organization takes responsibility for offloading dated equipment at the end of the term. This clears the way for new lease agreements to bring in replacement models with the latest ergonomic and tech advancements, promoting operator well-being and adherence to best practices.

## // GET STARTED EARLY AND DO YOUR HOMEWORK

With so many options to procure equipment and variability between leasing providers, take time to review current and anticipated business needs, and how available options allow you to adapt over time. And if leasing is right for you, be sure to thoroughly review contracts to make sure you avoid common pitfalls – remember, not all leases can be what they appear on the surface.

To get started building your new fleet, learn more about leasing options or talk to your local dealer.

## // WEIGH THE PROS AND CONS

This quick reference chart shows how leasing stacks up against other options as a solution for procuring a lift truck fleet that matches up with operational requirements.

### Purchasing

**Pros**

- Full ownership, no limits on equipment usage
- Tax depreciation benefits

**Cons**

- Hefty amount of cash to cover entire cost upfront
- Often results in using inefficient, aging equipment past its prime
- Responsible for equipment maintenance and selling old units
- No regular fleet rotation means limited access to newer technology, efficient power options

### Short-term rental

**Pros**

- Quick access to equipment for unexpected increases in demand
- No long-term obligation to keep un-needed units

**Cons**

- Limited selection due to short notice
- Much higher prices due to shorter time commitment
- Usage limits may apply

### Leasing

**Pros**

- Passive fleet management
- Increased productivity with advanced technology
- Access to latest power options and emissions reduction technology
- Often most cost-effective method of procuring and using equipment
- Customize fleet and lease terms based on unique needs and changes in business requirements
- Can bundle maintenance into lease agreements

**Cons**

- Better for longer-term (multi-year) engagements – not meant for short periods
- Need to pay close attention to all contractual costs – there could be hidden fees in addition to the advertised payment