DECISIONS, DECISIONS. DOES YOUR NEXT BIG PURCHASE MAKE SENSE AND CENTS?

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You are finally ready to bring that shiny new technology into your practice. Figuring out which device makes the most sense for your patient population is the easy part. Now it's time to decide how to approach this purchase financially.

The two biggest decisions at hand are whether to buy it or lease it and/or whether to choose a new or a used machine. There are pros and cons to each approach.

SHOULD YOU BUY OR LEASE?

Buying Pros: If you purchase your next device, you may be able to take advantage of certain tax credits. For example, you may not have to pay some local tax fees (document stamps) on the type of loan you secure.

In addition, there is more than one way to buy equipment. You might want to consider taking an interest-only line of credit where you have the option of just paying back the interest on the amount borrowed. This does not reduce the principal, however it allows you to pay a much lower amount during slower times. You can always pay more down when you have the additional funds.

Cons: You are out a large sum of capital, and it's always important to remain liquid …just in case. The down payment for regular financing of commercial equipment will be significantly more than the lease start-up costs.

Leasing Pros: When leasing, you don't lay out a large sum of capital upfront; this frees up capital for other expenditures.

There are two main types of leases. In an operating lease, the company records only the rental expense for the equipment rather than the full cost of buying it outright, resulting in a cleaner balance sheet. You can also lease for shorter terms and then turn the equipment over.

A capital lease, by contrast, is where the company wants the equipment to appear on the balance sheet as an asset, but also wants to spread out payments. This is used when a company is fairly certain they will want to keep the equipment at the end of the lease. At the end of a Capital Lease, there is usually a buyout that is well below market value (e.g., a $1 buyout, a five percent buyout, etc.) .

Depending on how your accountant depreciates your new assets, you can take a section 179 tax credit, which means you can deduct the full amount of the equipment without paying the full amount this year. The amount you save in taxes can actually exceed the payments in the acquisition year, making your new device a very bottom-line friendly deduction.

Cons: Leasing usually costs more in the end as far as cash flow. If you acquire equipment without a buyout, you do not have the asset at the end of the term. Although your balance sheet may look better, you no longer have the asset to generate revenue. And don't be fooled by six or 12 months of financing or deferred payments. There is no free lunch and at the end of the day, the "free or deferred financing" will be tacked on.

NEW OR USED?

Once you have decided whether you are going to buy or lease, it's time to consider whether to purchase new or used equipment.

New Pros: New equipment has that hefty price tag, but you get what you pay for. New machines come with a brand new manufacturer's warranty and look the part. You are also covered by federal guidelines for equipment warranties and have the availability to purchase consum-

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ables and disposables from the manufacturer as the original owner.

Cons: You may not need that new shiny box, especially if you are one of the only ones in your market providing the services. Negotiating for new equipment may not be easy because the limited availability may keep the price tag high.

Used Pros: Used machines come at a severely discounted price, and if previously maintained properly, these devices can be a wonderful investment. Be careful of non-trustworthy secondary equipment vendors, though. Make sure your vendor has the capability of properly arranging for maintenance.

Cons: You will never know the true maintenance history of the unit in relation to past breakdowns and parts failures. In addition, many second-hand companies will sell equipment "as is," which is another way of saying "buyer beware." Many restrictions may apply. For example, the manufacturer may not allow any remaining warranty to transfer to the new owner. In addition, the manufacturer may only allow you to purchase parts and consumables after a safety inspection performed by a certified inspector of the vendor. This can cost thousands—sometimes tens of thousands—of dollars.

There is no right or wrong decision here as different practices have different needs, budgets, and assets. Always run buying decisions by your practice consultant and a tax professional for specific advice. ■

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