

# Why Lease?

**Add. Upgrade. Change.**

Never before have growing businesses had to manage more rapid changes in high-technology equipment. While enhanced technology certainly comes with advantages, budgeting and planning for equipment that will likely change tomorrow can be a business nightmare. That is why top executives choose to lease this type of equipment rather than purchase it.

A simple rule of thumb followed by many business leaders is to purchase assets that are more likely to appreciate in value and to lease those that rapidly depreciate. Leasing can help you avoid large cash expenditures and provides the necessary flexibility to add, upgrade or change equipment as needed. A tailored leasing program backed by a strong financial partner can help provide higher operating efficiencies and sound financial management.

*“What most attracted me to Winmark Capital was the quality of their people, their sincere desire to work with us on a long-term basis and their creative approach to helping us solve real business problems.”*

*-CFO of a fast-growing big-box retail company*

## Need More Reasons? Consider These Leasing Advantages.

**Managing equipment obsolescence.** With lease financing, the risk of equipment or technology becoming obsolete is transferred to the leasing company, not your business entity. Leasing lets you deploy the necessary technology when and where it is needed for competitive advantage.

**Flexibility.** With new technologies flooding the market, your business is continually presented with opportunities to substantially improve operations. At Winmark Capital®, we offer flexible leasing programs that help you take maximum advantage of these technologies when the time is right.

**Capital conservation.** Leasing offers you a way to keep your equipment up-to-date while maintaining the impact on your financial resources. When your business is no longer tied to rapidly depreciating equipment, cash, working capital and lines of credit remain available for the other capital needs and strategic financial opportunities.

**Tax advantages.** With an operating-type lease, rental payments are a tax-deductible expense. Plus, Winmark Capital, as your leasing partner, is responsible for invoice reconciliation, payments to suppliers and the proper filing and payment of property tax, use tax and sales tax on your behalf.

**Budget control.** With a well-structured, flexible lease, forecasting and monitoring your company's budget is simplified. In addition, you can upgrade or modify equipment at any time during the lease while minimizing the impact on operating costs.

For more information on the advantages of equipment leasing, contact:

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# Strategies for Smart Technology Acquisition

By Matthew Dooley,  
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In the area of Information Technology (or “IT”) change is inevitable. Managing for that change is essential. Although planning for unplanned change may sound like an oxymoron, there are strategies you can employ to insulate against the vagaries of change. By understanding what drives change in your business; focusing on the potential and desired outcomes; and knowing what options are available in the marketplace, you can make smart decisions that mitigate the risk associated with change when acquiring IT technology.

Business executives are challenged with building the most effective and efficient IT infrastructure to meet the rising demands of internal and external customers—all while trying to increase revenues, reduce costs and manage change. This can be quite a feat given the many external and internal variables at work. Forces that drive change include: the economy, growth, industry, customers, increased competition, mergers and acquisitions, internal infrastructure demands, technological innovation or lack thereof, profitability pressure, and changes in government reimbursements, methodologies, and regulations such as HIPAA and Sarbanes Oxley. Specific to IT, the need for improved healthcare provider connectivity and migrations in content management force constant change within an organization

All of these forces may cause you to add people or downsize, increase or reduce infrastructure, change platforms or invest in new technology. When acquiring or merging with another company, human resources, processes, and IT integration are enormous challenges that often spell success or failure for the new company. Regardless of the source, organizations need to have the ability to react quickly and make the necessary adjustments. In IT, this may mean a new platform, adding or upgrading new high tech equipment and software.

Building the most efficient and effective IT infrastructure is an ongoing challenge and one that is inherently full of risk—business risk and technological risk. Mitigating risk in today’s healthcare environment is imperative to success. You can no longer separate IT from an orga-

nization’s overall business strategy. Organizations depend on technology to reduce costs and increase productivity. It is a mistake to view IT merely as an expense or a percentage of revenue as opposed to a strategic tool. The idea that software and equipment should be utilized as long as possible and budgets should be reduced regardless of possible opportunity costs ignores the realities of today’s competitive healthcare environment.

Therefore, when building your infrastructure, give thought to the best way to acquire the needed technology. Consider the unique characteristics of the technology under consideration, including rapid depreciation, short useful life, and unpredictability. Manufacturers are constantly introducing new generations of technology that often cost less and perform better. Conversely, old equipment costs more to support and maintain over time. Costs are absorbed through loss of productivity, low morale, and poor service. Eventually, an organization must determine its tipping point.

When acquiring technology equipment or any asset, you have numerous options including: ownership, traditional forms of leasing and a “use model.” If ownership is important, using cash or credit facilities, such as bank lines or bonds, are viable solutions. Organizations that choose to own, usually do so because they have access to cash and a low cost of capital, they think the asset will have a long useful life, or they believe that ownership gives them more control over unplanned change.

A second strategy is to use a traditional form of leasing. Organizations lease to conserve cash, have a predictable payment, combat obsolescence, or to take advantage of accounting benefits. Generally speaking, ownership and traditional forms of leasing make sense when acquiring long-term assets.

A third strategy specific to technology is a “use model.” If IT’s objective is to create the most effective and efficient infrastructure at the lowest overall cost on an ongoing basis, a “use model” should be considered. Specifically in instances where the organization is growing and acquiring technology equipment they plan to use for less than five years, this model can result in a true competitive advantage. Because tech-

nology equipment is volatile and obsolescence is a concern, a “use model” enables organizations to have the right equipment at the right time—while only paying for what it uses as it uses it.

Under a “use model” the technology is put into an environment of flexibility where equipment can be swapped out, upgraded or changed to support IT’s objectives at any time, without penalties or fees—resulting in the lowest overall cost to acquire and use technology. By creating an environment of freedom and flexibility, both business and technological risks are reduced. IT can make needed changes while avoiding financial resistance in the form of a book loss or a negative ROI. As a result, the “use model” eliminates the risk you will be stuck with a sub-optimal technology environment.

Understanding which strategy is right for your organization depends on a number of variables such as the type of equipment, useful life, re-sale value, appreciation or depreciation, cash flow, leverage, growth, costs of making a change or holding on too long. The impact of outside forces on the asset or your organization also needs to be considered. For instance, if you own technology equipment and need to make a change to your infrastructure as a result of a government regulation, competition, or a change in the economy, how will you react and how will it impact the organization?

When you are ready to invest in IT and medical technology ask what could cause change, can we prepare for it, and how will we react? Take the initiative to understand all of your options and you will make better decisions for your organization. Specifically, when it comes to IT, employing a “use model” could save you money while maintaining the needed flexibility to mitigate the risk inherent with technology and unplanned change.

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