

HOW TO CHOOSE FINANCING THAT WORKS FOR YOU

BY NANCY PISTORIO

Equipment used in the funeral, cemetery and cremation business has always been unique and esoteric. Embalming tables and cremation processors, for example, have no known applications outside the industry and as a result are mysterious to most people.

But the inventory of equipment required to operate your facility smoothly and continually can be extensive—and costly. Lifts, vault handlers and tents, for example, are significant capital investments that may require financing.

For many professionals, the first thought when considering financing is to approach a local lender. But assets designed specifically for this industry are not well understood by general lenders, sometimes leading to problems. In fact, lenders may require blanket liens on all of the equipment the business owns.

But not all lenders are generalists. Some specialize in niche markets, including the funeral, cemetery and cremation industry. Firms that specialize in this way usually devote considerable time and effort to understanding the industries they serve. Individuals at these companies often join trade associations, subscribe to pertinent publications, and attend educational sessions pertaining to these industries, realizing that the more they know about your business, the better they can tailor a lease or loan to meet your specific needs.

Many lenders offer both leases and loans. According to the Equipment Leasing & Finance Association (ELFA), however, eight of 10 American companies lease the equipment they need. The top three reasons they do so, says ELFA, are to manage growth, to take advantage of new technology, and/or to improve asset management.

Smaller businesses and start-ups often lease to preserve cash flow, since lease payments tend to be lower than

those associated with a loan. Larger businesses, on the other hand, may lease for maximum tax advantages or to manage budget restrictions.

If you lease and have good credit, a lender may waive your down payment or offer rates lower than you'd find elsewhere. If your business is new or your credit is less than sterling, a finance company specializing in your industry might offer structured terms that still provide for a swift approval.

Lenders that know your business can build other advantages and conveniences into your financing as well. Depending on the financing vehicle chosen, for example, your payments may be fully expensed, rather than capitalized and depreciated. This means you may be able to deduct full monthly payments as operating expenses during the period you make the payments.

End-of-term purchase options are another example. When included in a lease, these options can allow you to buy the equipment you leased for a reasonable price, or upgrade to newer technology. Generally speaking, finance companies that specialize in certain industries use their knowledge to assume more risk on your behalf. This means they may be able to provide financing when others won't. They may also reach a financing decision faster than most other lending sources.

To choose a lender that can tailor financing to best meet your needs, consider asking each one you consider the following questions:

1) How well do you understand my business? Finance companies that know little about the equipment you require or your risks of doing business may not offer products, features or options that maximize your flexibility or address certain needs.

2) Do you lend to others in my profession? Lenders specializing in specific industries usually have multiple customers in your field, some of whom you might know. Speaking with colleagues about their financing experiences may generate referrals to these lenders.

3) What is your response time? Lender size, regulatory requirements and customer service orientation all can influence the time a lender takes to give you an answer. Today, many lenders can make a decision in days—or hours.

4) How do you determine which financial product or plan is best for my company? Lender experience and expertise are instrumental in selecting an appropriate product and customizing it to meet your needs. A lender who cannot explain to your satisfaction why a particular solution is right for you may be influenced by other factors.

5) Does it matter where I obtain the equipment? This depends on the lender. Finance programs available through manufacturers or their dealers often finance only equipment made by that manufacturer. Other lenders will finance any new equipment you choose.

6) How would you describe your rates? By asking an open-ended question about rates, you're inviting the lender's representative to make a case for how the lender charges and why. You're also communicating that you expect more than a simple, pat response.

7) Along with the rates your company charges, what fees, if any, will I incur? Reputable lenders clearly disclose any and all fees up front, in writing.

8) If I finance with you, will I experience any surprises? Reputable lenders disclose all terms, charges and fees in writing that is part of the documents you are asked to sign. If you have questions that are not answered in those documents, ask your lender representative before signing.

9) Once I obtain financing from your company, will future transactions be easier and faster? Some finance companies offer Master Agreements that can be established to make future acquisitions simpler. Because a contract and relationship are already in place, new financing may be able to occur as soon as you select the equipment.

Reputable lenders exist to serve you and want your business. Those that specialize in your industry may be able to build custom solutions that meet needs unique to your company. When considering a lender, ask questions and listen carefully to the answers. And when making a decision, be sure to get all terms and conditions in writing. The right lender should earn your trust and confidence, as well as your business. The right lender is one you'll want to turn to again when the need arises. **FBA**

Nancy Pistorio is president of Madison Capital, an independent financing company founded in 1997 in Owings Mill, Maryland. Ms. Pistorio is active in the Equipment Leasing and Finance Foundation, a Washington, D.C.-based organization that provides education about equipment financing and perspectives on emerging trends relevant to providers of financing and their customers. To connect Nancy please email npistorio@madisoncapital.com.