

EQUIPMENT FINANCE | CHICAGOLAND

Purchase, loan, or lease?



Considerations when acquiring new equipment

Your business needs the right equipment to remain competitive. But whether you're upgrading critical machinery or replacing outdated technology, these assets can come with a big price tag. You have several options to consider as you plan the most effective ways to acquire new equipment. Wells Fargo's Chicagoland bankers are ready to help you compare options and move forward in the most logical direction.



Purchase with cash

If your company has plenty of cash on hand, it may be tempting to simply write a check to cover the cost of your equipment upgrades.

Benefits

- You immediately own the new equipment.
- You may be able to take advantage of tax benefits such as depreciation.

Keep in mind

- An outright purchase may tie up working capital and reduce your financial flexibility.
- If your budget is tight, you may opt to hold down costs by purchasing older equipment—potentially undercutting the benefits of the upgrade.
- As the equipment owner, you're responsible for covering all maintenance and future upgrade costs.

Finance with a loan

Regardless of industry, you can borrow to finance most types of business equipment, whether \$50,000 technology tools or multimillion-dollar construction machinery.

Benefits

- Down payments may not be required, minimizing the purchase's impact on working capital.
- Reliable payment terms on fixed-rate loans can help your business manage its expenses.
- Loans can offer tax benefits such as interest deductions and depreciation.

Keep in mind

- Consider using a separate equipment finance loan that won't draw down your business' existing lines of credit.
- Look for a lender that offers not only good loan terms, but also industry expertise to help you finance your new equipment.

82%

More than 8 of 10 businesses use at least one form of financing.¹

1. Equipment Leasing & Finance Industry Horizon Report 2024



Leasing is the most common payment method used by businesses to acquire equipment and software.¹

Lease new equipment

With a lease, you won't own the equipment. For some business leaders, this is part of the appeal.

Benefits

- Lease structures often offer lower monthly payments when compared to loans.
- Leasing may reduce upfront costs, including those related to installation and maintenance.
- You can tailor lease payments to meet your specific business and sales cycle, including seasonal payment terms.
- Leasing gives you the flexibility to upgrade to the latest equipment models, in some cases at no additional cost.
- The lessor assumes the risk that the equipment may lose value more quickly than expected (residual value risk).
- Certain lease structures cover maintenance of the equipment.

Keep in mind

- With certain lease structures, you can choose to buy the equipment, renew the lease, or return the equipment at the end of the term.
- Leases come in a range of shapes and sizes. Work with your lease financing provider to find an arrangement that best suits your needs.

Ready to acquire new equipment? Wells Fargo Commercial Banking has specialists in the Chicago area to help you with all your equipment financing needs.

1. Equipment Leasing & Finance Industry Horizon Report 2024.

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