

## Lease Vs. Cash or upfront payments

Compare a 36 month lease for a \$30,000. piece of equipment to paying an upfront cash price.

\$30000. pv  
12% annually  
\$12923 over 3 years  
=\$42923.00

A cash purchase uses after tax dollars. To generate that same amount in after tax dollars a business must make "X" in pre-tax dollars:

For example- assume the cost of equipment @ \$10,000  
\$ 10,000.  
\$ 34% tax rate

Funds needed to generate \$10,000 **after tax**  
 $\$10,000 / 1 \text{ minus } 34\% = \$15,151.00$

This means that it takes \$15151. in pre tax dollars to have the \$10,000 cash up front

Now figure leased piece of equipment for the same price based on a pre- tax purchase and a 12% rate  
\$11,200.00