How to Buy
New technology solutions

When people evaluate new technology, they often ask themselves the obvious question: What do I buy? But so often, they overlook an equally important question: How should I buy? At TAMCO, we take the time to help you answer that exact question.

There are three ways you can choose to pay for your new technology, two of which you are very familiar with – buying or leasing. And while both are legitimate options, TAMCO offers a third option that could prevent you from finding yourself surrounded by obsolete technology. It's called TAMCO Shield®.

How to buy "food for thought":

- **Protect your credit lines**
  Taking out a loan or drawing against your line of credit will tap into your borrowing power which you may need down the road for something unexpected.
- **Accounting treatment**
  You may prefer to keep your new technology off of your balance sheet. If structured properly, some programs can be classified as an operating expense.
- **Tax benefits**
  Some leasing programs have fully deductible monthly payments. Check with your tax advisor to learn more.
- **Capital expense vs. operating expense**
  Do you really want a quickly depreciating asset as a capital expense?
- **The time / value of money**
  Consider how spending your company's capital on equipment today could actually cost you money by not getting a return. Instead, think about investing it on an appreciating asset.

Option 1: Buying

This means paying cash or getting a loan and making payments to your lender. Buying may seem to make sense. After all, you then own your equipment, plain and simple. But what do you really own? Technology depreciates very quickly; that may not be the best investment you can make. In fact, wise investors will tell you to buy only that which appreciates and rent or lease everything else.

In addition, a loan cuts into your credit line, and you may need those funds in the future. Remember, money in hand today is worth more than tomorrow. Also consider that ownership offers practically no benefit when it comes time for replacement. Based on the Rule of 72, investing your capital into your business instead will bring better returns on your money.

The Rule of 72 states that if you invest or recycle your capital back into your business, you will not only see a return but also reveal the hidden benefit of renting. Here's how it works: simply take your corporate rate of return and divide it into 72. The answer is how long it will take to double your money. Therefore, assuming a 15% rate of return and dividing that into 72, you will double your money every 4.8 years.

Option 2: Leasing

The second familiar option is leasing. Basically, you sign a contract that sets up payments with different choices at the conclusion of the contract term, and it does offer a few benefits. A Capital Lease (commonly referred to as a $1 Out Lease in the United States and a $10 Out Lease in Canada) or a Fair Market Value Lease (FMV) both have a rent-to-own feature, but they have two major differences:

- With a Capital Lease you purchase the equipment at the conclusion of the contract for $1 (or $10 respectively in Canada), but it does not qualify for off balance sheet accounting treatment (the advantage to "off balance sheet" treatment is that the obligation is not recorded as a liability on your balance sheet, but rather, the monthly payment is expensed as "paid").

- An FMV Lease will usually qualify for off-balance treatment and it leaves you with a choice: purchase your equipment at the end of the term for "fair market value" or return the equipment. The problem with this is that "fair market value" is unpredictable.

Both of these leases are geared towards eventual ownership, thus giving you all the responsibility of the equipment. Another concern is that you are not protected from changing business needs. Plus, leasing has time limitations, burdensome rollover balances, and other restrictive elements.

In truth, leasing is a viable option for some, but it offers no flexibility if your technology needs change. It will most likely leave you stuck with a balloon payment that has to be rolled over into a new agreement or paid off.

Option 3: TAMCO Shield ®

So if buying is a waste of money and leasing is an endless trap, what other option is there? This third option is the answer to the question, "How should I buy?" The TAMCO Shield program is truly unique and designed to incorporate the best aspects of renting and leasing.

With TAMCO Shield, you choose the equipment that's right for your business today. But should that equipment become obsolete for any reason – your business grows, your needs change, whatever – you can replace your system. Your contract will be forgiven and a new one will be issued – period – no balance to rollover and no hidden fees.

Designed as an operating lease, the Shield program qualifies for "off balance sheet" accounting treatment and may provide tax benefits. Act of God coverage is also included if the technology incurs damage or is destroyed due to a natural disaster event by providing reimbursement up to $5,000 for out of pocket insurance deductible costs.

The monthly cost of Shield is not necessarily for eventual ownership; it is simply a "right to use" fee. TAMCO absorbs the risk of ownership, not you. The best part is that if you do keep your equipment for the duration of the contract, then you are in a position to make a number of choices at the end: renew your contract, buy the equipment, return it, or replace it. Whichever you choose to do, it's all fine with us.

Shield allows you to save your cash, protect your lines of credit, and – most importantly – gives you the flexibility to adapt to changes in your business climate by not handcuffing you to equipment that no longer meets your needs.

Which Method is Right for You?

Only you can answer that question. We encourage you to explore all of your options before settling on one. When you decide on what to buy, ask your sales representative about how to buy. Ask them about the TAMCO Shield program. They can provide you with information in the form of our Comparative Analysis, which shows all four acquisition methods side by side: Cash, Capital Lease, FMV Lease, and TAMCO Shield.

We hope that you will find this information useful while deciding how to buy. And we're more than happy to give you more information should you need it.