



Financial Lease for Software?

Manufacturers have long used leasing as a finance option for new equipment. In fact 70% of all hi-tech equipment is leased. The benefits of leasing equipment are numerous and well known. They include the preservation of company capital, ability to expense the expenditure as it occurs as well as the ability to acquire technology and equipment whose cost exceeds available cash. Many times a manufacturer will bundle accessories such as capital tooling and software along with the equipment being leased.

What many companies don't know is that manufacturing and engineering software can also be leased. There will be some qualifications with software, just as there are with equipment. It is unlikely that you could lease Microsoft Office suites, for example. CAD/CAM, PLM, FEA, and related applications which are sold with a one time license fee and on-going annual maintenance will usually qualify for leasing. The benefits of leasing are the same for software as for equipment. Companies preserve capital and spread the payments out over a period of years.

Leasing companies today have cash and are actively looking for deals. Rates are relatively low and terms are very flexible. Many are financial leases with a \$1 purchase at the end of the term. Most software leases will bundle maintenance in with the purchase so the software is kept current during the term of the agreement. Lease term and even payment frequency are negotiated. A pre-payment option can be inserted.

In summary, a manufacturer who is considering the acquisition of software to reduce cost, improve customer service, speed product delivery, or for any other use no longer needs to have cash in hand. Leasing can allow a company a path to reach the benefits modern software can bring without the cash outlay up front.

Written by Kurt Freimuth, President, reThink Engineering, Inc.