

## When to invest in more equipment

Is it time for your business to invest in some new equipment? And if so, is it a smarter business decision and more cost-effective to hire or buy?

### Why you might need new equipment

The right equipment can enhance your processes, productivity, capacity to innovate, and bottom line, but should you buy now or wait till a later date?

A few reasons you might need to purchase new equipment now are because you:

- Have some big contracts coming up and need to increase production.
- Own a business that's expanding at a fast rate.
- Need to replace some aging equipment to maintain your business's high standards and keep up with the competition.

### Evaluate your existing financial state

It can be easy to get caught up in the growth of your business without putting the necessary time into assessing whether you're financially ready to buy some more equipment.

Try to look beyond your current situation to project your costs over the coming months or years (depending on whether you plan to hire or buy). You can reduce the financial impact on your business by:

- Using financing to buy the equipment – you may even get lower rates than hiring the asset, and after you complete your payments, you'll own it.
- Purchasing quality used equipment – which could be more cost-effective than renting over the long-term.

### Examine your business as a whole

Short-term purchases without long-term plans can be costly. Consider these questions when drawing up plans to invest in more equipment:

- What effect will the new equipment have on your human resources? Will you need additional staff or have to relocate staff elsewhere throughout your business?
- Can the equipment you're replacing be put to use somewhere else in your business?

### The length of the job or project

A crucial deciding factor as to whether the right time to purchase more equipment is now, is the length of an upcoming project (or the frequency of extra jobs coming up).

Additional short-term work suggests hiring would be a better option. Likewise, if you need a highly specialized (and expensive) piece of equipment, it might be preferable to hire it.

It makes more sense to buy for longer-term projects. Hire costs can add up quickly as a job gets delays and pushes past its expected finish date.

## Usage and availability

Knowing that the right equipment is available to your business whenever it needs it is a big advantage. If anything unexpected happens with a job, you'll have the equipment you need to react and reschedule.

Potential clients will also notice that you own the equipment necessary to complete their requests, helping develop trust with your business.

When you decide whether to hire or buy, take into account the risk of your preferred hire company not having the equipment you want, when you need it.

## Deciding to hire or buy

You can go about getting the new equipment you need by hiring or buying. Each has advantages and disadvantages so it's worthwhile assessing your business's current financial situation, its current capabilities and its future plans (for growth).

## Weigh up the pros

If you choose to purchase new equipment, the advantages over hiring will include:

- Availability – you can be sure the equipment will be available when you need it.
- Ownership – you own the equipment and can potentially get a return on it when you sell it on.
- Extra financing – if using a loan to pay for your equipment, you might be able to get additional financing to cover transport, training or installation.
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If you decide to hire the equipment, the pros include:

- Cost – smaller initial investment.
- Maintenance – the lender should handle insurance and maintenance.
- Technology – you can usually hire the latest equipment available and should be able to upgrade as your project progresses.

Will hiring make your life easier in the short run while you consider buying at a later date? Will buying now be more beneficial to your business over the longer-term?

## Summary

Taking into account the points above, you'll get a clearer idea about whether now is the right time for you to purchase more equipment, either with your own capital or through financing, or whether it's a better option to hire for the time being.

## Next steps

- Talk to your accountant to discuss the pros and cons of hiring and buying new equipment.

- Have a word with your bank manager about whether you can get funding to purchase the equipment your business needs.