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PURCHASE OR FINANCE?

Equipment Cost: $40,000.00

Labor Savings: 2 employees at $16.00 / hr for 1 shift

Automated packaging equipment pays for itself. It can result in labor efficiencies, increased throughput, material savings, improved employee safety, and more. Over time, these savings will exceed the cost of the equipment. The payback period depends on whether the equipment is purchased with cash or financed.

Purchase vs. Finance Analysis	**Cash Purchase**	**Financing Options** — **36 Month Term (5% Purchase Option)**	**Financing Options** — **60 Month Term (5% Purchase Option)**
Upfront Cost *(Includes two payments due in advance for the financing)*	**$40,000.00** *(equipment cost)*	**$1,205.60 × 2** *(2 payments in advance)*	**$782.00 × 2** *(2 payments in advance)*
Monthly Savings *(Reduced labor costs attributable to equipment)*	**$5,546.56** *(per month)*	**$5,546.56** *(per month)*	**$5,546.56** *(per month)*
Payback Period *(How long it takes to recoup the upfront cost)*	**8 months**	**0.4 months**	**0.3 months**

Average Repetitive Motion Injury Claim:
$40,000.00
Reduce Lost and Restricted Work Days

Throughput Increase
100%
From 10 to 20 per minute

Total Labor Savings Over Five Years:
$332,793.60

Monthly Payment Options

Term	5% Purchase Option	10% Purchase Option	FMV Purchase Option
60 Months	$782.00	$758.40	$715.60
48 Months	$941.20	$905.60	$839.20
36 Months	$1,205.60	$1,156.00	$1,062.00
24 Months	$1,744.00	$1,667.20	$1,648.40

Return on Investment - Cash vs. Financing

Equipment Cost:	$40,000.00	Annual Savings:	$66,558.72
Internal Rate of Return:	12%	Purchase Option:	5%

Return on Investment (ROI) measures the gain or loss generated on an investment relative to the amount of money invested. It's calculated by dividing the initial investment by the total returns. Financing maximizes ROI by reducing the upfront cost, which preserves working capital that can be reinvested in the business to generate additional returns. In the calculations below (for discussion purposes only), the cash on hand at the start of each year is reinvested with an Internal Rate of Return of 12%. ROI will vary based on many factors and should be reviewed by your accounting department or a professional CPA.

	Purchase	36 month	60 month
Monthly Payment:		1,205.60	782.00
Starting Cash (equals equipment cost)	**40,000.00**	**40,000.00**	**40,000.00**
Cash spent on equipment	-40,000.00		
First and last payments due with signed documents		-2,411.20	-1,564.00
Available Cash - Beginning of year 1	**0.00**	**37,588.80**	**38,436.00**
Return from reinvesting available cash at 12%	0.00	4,510.66	4,612.32
Annual labor savings	66,558.72	66,558.72	66,558.72
Tax savings	8,400.00	8,400.00	8,400.00
Lease payments - Year 1		-13,261.60	-8,602.00
Available Cash - End of year 1	**74,958.72**	**103,796.58**	**109,405.04**
Return from reinvesting available cash at 12%	8,995.05	12,455.59	13,128.60
Annual labor savings	66,558.72	66,558.72	66,558.72
Lease payments - Year 2		-14,467.20	-9,384.00
Available Cash - End of year 2	**150,512.49**	**168,343.69**	**179,708.36**
Return from reinvesting available cash at 12%	18,061.50	20,201.24	21,565.00
Annual labor savings	66,558.72	66,558.72	66,558.72
Lease payments - Year 3		-13,261.60	-9,384.00
Purchase Option		-2,000.00	
Available Cash - End of year 3	**235,132.70**	**239,842.05**	**258,448.09**
Return from reinvesting available cash at 12%	28,215.92	28,781.05	31,013.77
Annual labor savings	66,558.72	66,558.72	66,558.72
Lease payments - Year 4			-9,384.00
Available Cash - End of year 4	**329,907.35**	**335,181.81**	**346,636.58**
Return from reinvesting available cash at 12%	39,588.88	40,221.82	41,596.39
Annual labor savings	66,558.72	66,558.72	66,558.72
Lease payments - Year 5			-8,602.00
Purchase Option			-2,000.00
Available Cash - End of year 5	**436,054.95**	**441,962.35**	**444,189.69**
Ending cash	436,054.95	441,962.35	444,189.69
Less: Starting cash	-40,000.00	-40,000.00	-40,000.00
Total Returns	**396,054.95**	**401,962.35**	**404,189.69**
Divided by: Starting cash	÷40,000.00	÷40,000.00	÷40,000.00
Return on Investment	**990%**	**1,005%**	**1,010%**

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Tax Benefits Explained:

Section 179 allows companies to deduct up to $1,080,000.00 of qualifying equipment from their taxable income in the year the equipment is acquired. The Section 179 deduction phases out for companies that acquire more than $2,700,000.00 in equipment for the year. Companies acquiring more than this amount will sometimes structure their acquisitions as tax leases in order to stay under the Section 179 limit. (Consult your accountant for more information on tax leases.) Any remaining tax basis after the Section 179 deduction can be further decreased by bonus depreciation, which is 100% for 2022.

Equipment Cost	$40,000.00
First Year Write-Offs:	
Section 179 Deduction	$40,000.00
100% Bonus Depreciation	$0.00
Total Deduction in First Year	$40,000.00
Tax Savings (for 21% tax rate)	$8,400.00
Equipment Cost After Tax Savings	**$31,600.00**

The Cost of Doing Nothing

Delaying an equipment acquisition can be expensive. If you wait 8 months to make a decision, you will miss out on savings ($44,372.48) exceeding the equipment cost ($40,000.00).

$5,546.56	**$66,558.72**	**8 months**	**0.3 months**
Monthly Savings	Annual Savings	Cash Payback Period	60-month Financing Payback Period

Hedge Against Inflation: U.S. inflation is the highest in 40 years. **Lock in equipment pricing NOW.** Have you run out of room in your CapEx budget? Payments spread over time use tomorrow's cash over today's more valuable dollars.

Equipment Advantages

Added Capacity	**Better Product Appearance**
Consistent Quality	**Consistent Output**

Financing is an option that your PAC sales Representative can assist you with. PAC has a few financing companies that we work with to help you in the area of financing if that is the route you choose.

Financing Questions? Contact your sales rep | 800-985-9570 | sales@pacmachinery.com

NOTE: The financing proposal above is a sample report shown as an example to show the value in financing.