

How to finance dental equipment

Cash flow can make or break a dental practice. Access to sufficient working capital means juggling the income earned with the overheads of salaries, premises and equipment. Here, Nick Graham from commercial finance leaders Interlease, , tells how to protect your cash flow when you invest in new equipment.

Savvy purchasing for your practice goes beyond negotiating prices to selecting the right payment method, whether cash or finance. Depreciation rates, equipment income earning potential, impact on cash flow and your choice of financiers all make a difference to the return reaped on your investment.

Why cash is not always best

The simplicity of cash can be very appealing but is not always the best long term option. Because it makes good business sense to have ready access to funds, tying up cash in equipment can restrict your practice's growth and most practices can use the funds more profitably in other ways.

Matching payments and terms to the equipment

The ideal finance preserves your cash flow by matching the costs with the income generated by the equipment, so look for a package with repayments that are similar to the extra patient fees you expect to receive.

Similarly, finance terms should not be longer than the life of the equipment being purchased. Because some dental equipment will become obsolete more quickly than others - hand pieces, for example, age more quickly than a dental chair – the best finance is flexible enough to take each asset type into account.

The life of the equipment is also reflected in the depreciation rates set by the Australian Taxation Office. Ask your finance advisor for the right structure to maximise the tax effectiveness of your dental equipment investment.

Keep your options open – use more than one financier

Your bank might seem the natural starting point for finance but, as a rule, Interlease recommends using anyone else other than your bank to finance dental equipment. Why? Because you need to keep your options open.

Using just one source of finance has several drawbacks. First, over exposing your business to any one financier means the perceived risk for that financier is greater, which in turn can lead to lower borrowing limits and tougher terms.

A single financier is also likely to have a limited set of borrowing and repayment conditions. Access to a range of finance providers allows you to choose the best solution for each equipment type and for your practice - as you buy more types of equipment, the need for different finance types increases accordingly. Resist the temptation to put all your eggs in one basket.

Nick Graham, Interlease Co Pty Ltd, a provider of commercial finance solutions for over 30 years. Interlease has recently produced a “Guide to Commercial Finance”. For your copy, or to request more information, please contact Nick on ngraham@interlease.com.au or 9429 4299