Dynamic Chiropractic

NEWS / PROFESSION

Should You Lease a PC?

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With a PC and the right software, a chiropractic office can track patient appointments and billing information; organize patient records; pay bills and make financial transactions over the Internet; look up articles and scientific abstracts; and perform a host of other functions that are important to a successful, well-run practice.

But with office rent, payrolls to be met, and, for many, large student debts to be paid, practitioners may not have an extra $1,500 or so needed to get an upper-level computer system, and the other hundreds of dollars for a printer, cables, supplies and an Internet connection.

You could buy a PC on the installment plan, but what about the growing popularity of leasing a computer? Like most financial options, leasing presents its own set of complications, but if handled correctly, a lease can be a viable alternative.

Lease Programs

When personal computers first became popular in the late 1980s, the average PC was expected to be viable for five to seven years. As technology keeps improving and prices keep dropping, the average shelf life of a PC is now three years or less. That's one advantage of a lease. By the time your contract is up, the computer will probably need to be replaced anyway. Most vendors buy back leased PCs or give customers credit toward another purchase, saving users the hassle of upgrading, selling, or trying to get rid of an old computer.

Leases can be arranged directly through computer vendors, financial institutions or independent companies. The average computer lease runs 36 months, although most companies also offer 12, 24, 30 and 48 month options. Monthly payments will vary depending on the kind of system you lease and the range of the lease program.

Some vendors, such as IBM, only offer leases to companies, but a few companies will lease to consumers. Dell, for example, offers consumers a 24-month lease option on its Dimension desktop computers and Inspiron and Latitude notebook PCs. Compaq's financial services program, Compaq Capital, offers 24 and 30-month leases on a majority of its desktop models; and Micron Computers has also joined the party.

One of the newest lease options available is called YourWare, a program from Gateway Computers. Through YourWare, users can buy a desktop or notebook computer customized to their liking, along with unlimited Internet service through Gateway. There is no down payment necessary, but customers must pay for shipping and insurance charges.

Consumers using YourWare can purchase their computer by making payments over a two to four-year term, with an interest rate starting at 14.9 percent. After the lease is over, you own the PC. If you want to trade in your system at that time, Gateway will buy it back for a percentage of its value, provided you put that money toward a new Gateway computer.

Price Comparisons

The number of leasing programs and configurations (hard disk space, monitor size, amount of memory, etc.) available are too numerous to list, but I've included a few examples of computer systems being offered in some of the more popular trade magazines. The prices, of course, may have changed since this writing.

- Micron Computers has been selling a 300 megahertz PC with an Intel Celeron processor, 32 megabytes of RAM, a 4.3 gigabyte hard drive, a 15-inch color monitor and a 56 kbps modem. Buying the computer outright would cost $1,199.00. With a 30-month lease, the PC would cost $1,524.40 -- a $325 increase over the original price. That price breaks down into 30 monthly payments of $47.48, plus a $50 documentation fee and a $50 shipping charge.

- Under Gateway's EasyPay financing program, you can pay $47.20 a month for a new system with a 350 MHz Pentium II processor, 64 megabytes of RAM, a 6.4 gigabyte hard drive, a 17-inch monitor, 56k modem and CD-ROM drive. The final price, after a 48-month lease, would be $2,265.60. The purchase price of the system is $1,699.00.

- On the higher end of the spectrum, IBM's SystemXtra program offers an Aptiva 2139-E5D PC with a 400 MHz Pentium II processor, 64 megabytes of RAM, an 8.0 gigabyte hard drive, a DVD drive, a 19-inch monitor and a 56k modem. The list price of that system would be $2,528.00. A three-year lease on this system would cost $92 per month: $76 for the PC, plus a $16 monthly service fee. Added up over time, the lease price would be $3,312, nearly $800 more than the purchase price.

On the Positive Side

At first glance, leasing may not sound practical, but many businesses and individuals feel otherwise. Because they don't have to deal with red tape, technical support and hardware fixes, leasing a PC is easier (and possibly cheaper) for some companies. Accounting departments also like leases because they can keep better track of what is being spent while paying for the lease, maintenance and technical support all at the same time.

Lease payments are close to payments on a moderate or high-interest credit card. Almost everyone who buys a computer does so with a Visa or MasterCard, but paying $2,000 on a card with a 19 percent interest rate over several months can cost as much as a lease. If you hate racking up big credit card debts, leasing may be a good option.

Companies and consumers that use their leased PCs for business purposes can write off the cost of the lease. If you use a personal computer for both business and pleasure, you'd need to keep a log of how many hours you use it for business for IRS purposes. If you use the computer for business only 60 percent of the time, meanwhile, you can still write off that 60 percent. Combine the ability to write off portions of your lease with affordable monthly patients, and leasing a computer could make alot of business sense.

On the Negative Side

Leasing can be a hassle, especially if you can't write off the lease as a business expense. You'll need a good credit rating, and there are the forms to fill out. If you get the lease, you must remember that you'll be paying for more than the computer is worth. And if you don't want to purchase the computer when the lease runs out, you've end up paying for essentially a computing service instead of a tangible product.

Also remember that most lease terms do not allow you to cut any corners. In most cases, computer leases do not have an early termination period. If you trade in your PC before the lease is paid off, you'll have to refinance your existing balance in addition to paying for a new computer. If you're dealing with a direct vendor, you'll probably have to pay shipping and insurance charges and any taxes that may be incurred. And if you're returning or trading in a PC to a lessor, you may be required to return the machine in its original packaging.

Finally, keep in mind that whatever additional money you spend for the convenience of leasing a PC might be better used toward buying a new computer or upgrading your existing one when the time comes. In the case of the $1,199 Micron computer, that extra $325 could buy additional memory and a better video card, extending your PC's life another year or two. And with the IBM Aptiva, the difference between purchase price and lease total is $784 --easily enough for a good printer, scanner and other devices, especially if prices keep dropping.

Words of Advice

Before running down to the local Best Buy and plunking down $2,500 for a new computer that does everything but make your coffee, there are some things to consider. Here are five helpful hints that will make leasing a computer as painless as possible.

1. If you're planning to lease a PC for your practice, make sure that you're getting a "true" lease as opposed to a "finance" lease. A true lease means that you're not trying to buy the equipment, you're simply leasing it as a service. A financial lease, by contrast, means that you're really buying the PC on an installment plan. Your tax advantages come with a true lease, so make sure to check with your accountant or financial advisor about your options (and have your advisor look over the lease contract before signing).

2. Shop around for options. Many lessors, for example, offer a $1 purchase option, meaning that you can buy the computer for $1 when the lease is up (although your monthly payments will probably be higher as a result). A fair market value option, on the other hand, offers lower monthly payments but has a larger purchase option once the lease is over.

3. Check and see what the competition is offering. Check at least three quotes before purchasing a PC. Don't just look at the best price. Check the term of the lease, purchase and return options, and additional fees. Find out whether you're supposed to make your first and last payments up front.

4. Get rid of unnecessary extras. If you already have Microsoft Word, for example, try to avoid or restructure a lease that includes an unnecessary copy. If you are able to configure what programs are included on your system, you might save money by not having extraneous software included in the lease.

5. Above all, watch your credit. If your credit rating isn't that great, a company may decide to charge a higher percentage rate on your lease. And don't apply for a lease unless you're absolutely sure it's the one you want. Trying to obtain a lease is just like trying to get a credit card. If you apply too often, it will look bad on your credit report.

In addition, you may want to contact The Leasing and Funding Source (www.bworks.com/funding) for a list of computer manufacturers and the types of lease programs they have available.

JANUARY 1999