FLEETPLANNING

WHAT TYPE OF FINANCING IS RIGHT FOR YOUR FLEET?

OPTION 1

CLOSED-END LEASE

WHAT IS IT? A closed-end lease is a rental agreement that puts no obligation on the lessee to purchase the leased asset at the end of the agreement. Typically, the lease terms in a closed-end lease are more restrictive but the lessee does not assume the depreciation risk of the asset when the lease is over.

IT MIGHT BE RIGHT IF YOU :

Value **PREDICTABLE** costs and lease terms

Have **ESTABLISHED RULES** for wear & tear along with mileage standards

Don't want to assume the **DEPRECIATION RISK** of your fleet

Want to **RETURN VEHICLES** at the end of the lease term

OPTION 2

OPEN-END LEASE

WHAT IS IT? An open-end lease is a type of rental agreement that obliges the lessee (the person/company making periodic lease payments) to make a balloon payment at the end of the lease agreement amounting to the difference between the residual and fair market value of the asset.

IT MIGHT BE RIGHT IF YOU :

Value **FLEXIBLE** terms and payment schedules

Are ready to **BUILD EQUITY** in your vehicles

Want **SEPARATE CREDIT LINES** for your fleet

Enjoy **NO MILAGE RESTRICTIONS** or wear & tear penalties

2 QUESTIONS TO ASK THAT WILL HELP YOU DETERMINE THE BEST LEASE OPTION

HOW MUCH *RISK* CAN YOU ASSUME?

With an open-end lease, your business takes on full responsibility for any potential risks, but also has the potential to reap financial rewards if a vehicle sells for more than the predetermined residual value at auction.

On the other hand, a closed-end lease shifts the risk to the vehicle management company, meaning that as long as the vehicle is returned in good condition, you can simply end the lease agreement and walk away at the end of the term.

However, it's important to keep in mind that there are various factors that can influence the value of a vehicle, such as interest rates, seasonal changes, and economic fluctuations.

HOW MUSH *FLEXIBILITY* DOES YOUR COMPANY NEED?

In terms of flexibility, open-end leases for fleets typically offer more flexibility than closed-end leases. This is because the fleet owner assumes the responsibility for the residual value of the leased vehicle, which means that they have more control over the disposition of the vehicle at the end of the lease term.

With an open-end lease, the lessee has the flexibility to choose whether to keep the vehicle, sell it, or return it to the lessor. This means that if the market value of the vehicle is higher than the residual value, the lessee can sell the vehicle and potentially earn a profit.

Overall, open-end leases for fleets provide more flexibility in terms of managing the assets and potentially earning a profit, but also come with higher levels of risk and responsibility. Closed-end leases may offer more predictable costs and lower risk, but with less flexibility in terms of disposition options.

80%

of companies with mid-to-large size fleets lease their vehicles.

15%

Leasing of fleets is found to be 10-15% more cost-efficient than complete ownership

GET IN TOUCH WITH OUR TEAM OF FINANCE EXPERTS
1-866-813-7757

THINK FLEET