



CNBUSINESS[®] BROADCAST

NEWSLETTER FOR BUSINESS CLIENTS OF CANANDAIGUA NATIONAL BANK & TRUST

Financing Equipment for your Business

You have found the perfect piece of equipment or vehicle for your company and now have a number of decisions to make. Do you pay cash or finance the asset? If you finance it, do you take out a loan or a lease? For how long? Do you obtain a fixed interest rate or a variable interest rate? Let's breakdown some of the key questions when it comes to financing new equipment for your business.

Cash or Finance? There are some benefits to paying in cash including less paperwork, no underwriting requirements, or submission of financial information. You will immediately own the asset free and clear of any liens and will not pay interest on a financed loan. Beyond simplicity, paying in cash usually does not provide much of a benefit over financing.

The benefits of financing equipment and/or vehicles include:

- Preserves your cash – always important to have on hand for unexpected needs or opportunities that arise.
- Keeps Lines of Credit available – necessary to keep open and available to meet your day-to-day cash and operating needs.
- Easily manage cash flow – paying for equipment and vehicles through a monthly loan payment matches the cash in flows that are generated from the use of that asset with the cash outflow of the payment.
- Flexibility – keeps the option open to pursue new business opportunities.

Loan or Lease? Leasing allows you to try out the equipment/vehicle without making a long-term commitment. If the asset does not meet your needs, you can return it at the end of the lease. This is a good option for assets that quickly become obsolete due to advances in technology (i.e. computer hardware, software, and communications equipment). Continuing to lease those assets allows you to upgrade so you can remain up to date with the newest technology.

On the other hand, purchasing the asset provides you the ability to build equity. Much like a decision to buy a car, the value of the car after your final payment has been made represents your equity. You have the option to sell it for cash or you can use the value of the vehicle toward a trade in for a new(er) model.

A good rule of thumb is if the asset's useful life to you exceeds 3 years, purchase it. If it's less than that, then you may want to consider a lease.

How long? The loan term represents how long it will take you to repay that debt. For business equipment or business vehicles, loan terms typically range from 3-5 years, although for assets with longer useful lives and that retain their value longer, a lender may consider a term of up to 7 years. When determining how long of a loan to obtain, you want to ensure the useful life of the asset and the term of the loan align.

Fixed or Variable Interest Rate? A fixed interest rate will remain the same throughout the life of the loan, as will your monthly payment. This provides predictability for budgeting and forecasting your cash needs. With a variable interest rate loan, your interest rate can, and likely will, change during the life of the loan. Variable interest rate loans provide additional flexibility in terms of the ability to make early principal payments to pay off the loan prior to maturity.

Line of Credit. If you intend to purchase multiple pieces of equipment and/or vehicles within 12 months of each other, another option is an equipment Line of Credit to finance those purchases. This type of loan provides a period at the beginning in which the loan is an interest only draw period. An equipment line of credit provides the flexibility to make draws on the loan to purchase the assets as needed with monthly interest payments only on the amount that has been drawn to date. Once you acquire your final asset, the loan converts to principal and interest payments for the remainder of the loan.

It is important to speak with your accountant and financial services representative about these decisions. They will guide you through the process to help determine what is the best financing structure for you and your business is. It is an important decision because you want to make sure you have enough cash on hand to meet your short-term obligations including payroll, accounts payable, etc. The sooner they know about these opportunities and decisions, the more time they have to help you navigate the decision process.

Call our Commercial Lending Team today at (585) 419-0670 to discuss your equipment financing options.

Kevin DiGiacomo is a Senior Vice President and Group Manager with our Commercial Services Team.

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Understand the Risks of Payment Fraud - Prevention and Protection

While high technology crimes make headlines, good old-fashioned checks are the largest vehicle for payment fraud according to Associates for Financial Professionals (AFP) Payment Fraud Survey (www.afponline.org). AFP stated 74% of organizations who were targets of payment scams were targeted via check fraud. Checks provide an easy way to replicate vital account information such as account, routing, and check sequence numbers. It's easy for fraudsters to obtain this sensitive account information by stealing a check from your check register at the office, finding paid or canceled checks that were not securely disposed of, or a check found in a mailbox intended to pay a vendor. Common types of check fraud include a valid check that's payee names and dollar amounts are altered, counterfeit checks drawn on real accounts or checks obtained from opening a false account based on fraudulent ID, and forged checks which are falsely endorsed.

Fraud Prevention Solutions

Unlike paper checks, automated payment processing offers payables to be made digitally from bank to bank. Using automated banking tools such as ACH Origination, Online Bill Pay, and Purchasing Card can help decrease the number of checks paid and mitigate the risk of account information from being exposed. Replacing paper checks with secure electronic options can help eliminate error-prone manual processes, improve controls to safeguard sensitive information, and provide clear visibility to better supervise activity. Forecasters stated electronic transactions will replace 25% of check payments in the next 10 years (www.stopcheckfraud.com).

Fraud Protection Solutions

The use of fraud monitoring tools like Positive Pay are currently the most effective means against check and ACH payment fraud. With Positive Pay, your bank only pays the checks or ACH debits preauthorized in your Positive Pay file.

Any unauthorized checks or ACH debits are not paid, and you are notified of a suspect. Positive Pay helps businesses detect suspicious transactions, reduce errors and safeguard account assets.

CNB Offers Multiple Fraud Prevention Service Options to Choose From:

- **Check Positive Pay** - Upload a file containing your issued check and the system will compare items presented for payment against the submitted file. Any discrepancies of check number and dollar amount will be identified and presented for verification before processing the transaction.
 - **Payee Match** - Compares the submitted payee name along with the check number and dollar amount on the check image.
- **ACH Positive Pay** - Manage your ACH debits and credits posting to your business account using filters. This service allows you to pay or return ACH debits that do not match an existing pre-authorization.
- **Reverse Positive Pay** - Monitor your paid checks with a daily report and provide a return decision for any check determined to be unauthorized.
- **Full Account Reconciliation** - A reconciliation report of paid items to the check issued record that provides comprehensive information.

Contact Bethany today to learn more about CNB's Cash Management Solutions and how they can help improve your organization's defenses against payment fraud.

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This material provided by Bethany Arnold.

1180 Ask the
WHAM Experts

2022 Shows — Saturdays at 8:00pm

May 21 • July 30
September 24 • November 26

Tune in to WHAM 1180 or listen online at wham1180.com to hear our trusted advisors. Times subject to change.

Paycheck Protection Program Loan Forgiveness

2021 Paycheck Protection Program Loan Forgiveness Applications are now available online. We encourage all PPP recipients to apply for forgiveness before entering their repayment period.

If you need assistance as you apply for forgiveness, please contact us at (585) 394-4260 or set up an appointment online using our [scheduling tool](#).

For more information, visit CNBank.com/Commercial, one of our Community Bank Offices, or call us at (585) 394-4260.