



Truck Financing Facts

FINANCE VS. PAY CASH

Which is the best financial choice? Departments struggle with this question frequently. The problem is that there is no one “right” answer for all. This article will lay out the pros and cons of each choice so that you can make the best decision for you.

Pay cash if you are:

Fire departments that are successful in paying cash for their fire truck purchase have the following characteristics:

- Have enough funds in savings or budget
- Or can save enough funds before the truck purchase
- Have sufficient rainy day funds after paying for the truck
- Is reluctant or resistant to financing purchases
- Do not want to add to the purchase cost of the truck by paying interest and/or other financing charges

Benefits of Paying Cash

- Total purchase costs are lower (no interest paid)
- Not borrowing means more room to borrow for other future purchases or needs
- Simpler purchase process than financing

Disadvantages of Paying Cash

- Savings are reduced or eliminated
- May only be able to buy less truck
- Will lose earnings on savings

Finance if you are:

Fire Departments that are successful in financing their fire truck purchase have the following characteristics:

- Do not have all the funds saved for the purchase
- Will fall farther behind by saving for the purchase – truck inflation will grow faster than savings rate
 - Want to keep current savings for rainy day or future purchase
 - Is not reluctant or resistant to financing purchases
 - Would like to manage the purchase by paying smaller payments instead of one large sum

Benefits of Financing

- Does not deplete savings
- Can afford larger truck
- May borrow at lower rate than truck inflation.

Disadvantages of Financing

- Will pay an additional 10% - 50% of fire truck price in financing costs (depending on term)
- Obligated to pay future payments
- Will have to follow process to obtain financing

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Key Fact:
There is no universal “right” answer to this question. Each situation is different.