

BUY OR LEASE?

By Christopher Warren

Porsche Financing Strategies: Three Questions Owners Should Ask Themselves

I've spent more than 25 years as an automotive sales, operations and finance professional, dealing exclusively with exotic and vintage marques, including new and previously owned Porsches. Over the course of my career, my clients have included individuals who know every possible detail

about the cars they drive, as well as the cars they hope to own someday. Many are well-educated, highly successful professionals involved in complex lines of work, and include attorneys, bankers, doctors, wealth managers, dentists, senior corporate executives, accountants and entrepreneurs.

In fact, I consider the personal relationships I've developed with clients to be the greatest benefit of what I do for a living.

Perhaps because of my high regard for their accomplishments in life, or maybe because I assume everyone already knows what I've learned about purchasing an exotic



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Profile

Chris Warren from Premier Financial Services.

or vintage car, I'm often surprised at knowledge gaps and missed opportunities in vehicle financing among sophisticated individuals. So a large part of my value to clients involves education.

For most people who are in the market for a Porsche – whether they're purchasing a new 2019 911 GT2 RS, or a vintage 1956 Porsche 356 A Speedster; and regardless of whether they're buying at an auction, from a dealer or in a private transaction – I offer three questions they should ask themselves, covering some of the financing fundamentals that I deal with most often:

1. Is there a better use for my cash?

This is always a sensitive question, because ego can be involved in a decision whether to write a big check, or to finance any luxury vehicle. Some people believe that financing suggests an inability to afford an expensive car; but many of my well-heeled clients – who can pay cash upfront for a six- or seven-figure Porsche without taking a deep breath – would never do that, for one of the following reasons: They may want to put those liquid assets to work in an investment with a higher potential for a return. They may want the flexibility to sell or change cars easily, without a significant financial downside. Or they may want both advantages.

Most people do understand the notion of not using cash to pay for what is (most often) a depreciating asset. However, I've discovered that most people do not understand how financing can be flexible. That's because they're unaware of the substantial differences between "standard" closed-end lease packages offered by car manufacturers or banks, and tailored leasing arrangements offered by a small number of specialty finance firms like Premier Financial Services, where I've worked since 2013.

In my opinion, this "knowledge gap" regarding the features and benefits of specialty leasing (versus the type of leasing deals that self-proclaimed financial gurus like Suze Orman warn you about) continues to account for the most significant missed

opportunity in exotic- and vintage-car financing. So in order to determine the correct answer to whether there's a better use for your cash, you must first have a complete and accurate understanding of what your financing options really are, which should include specialty leasing.

2. Should I dig deeper for a better financing solution?

A substantial benefit of specialty leasing is the ability to lease a premium vehicle under a business name, not necessarily a corporate entity, using pre-tax dollars to pay for the lease. One of my clients, a self-employed attorney who has leased several new and previously owned Porsches over the past 10 years, told me that he would be unable to expense his newly acquired 911 Turbo. He already was writing off two vehicles – his wife's 2018 Escalade and his 2017 Panamera – and his accountant had advised him not to

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expense a third vehicle.

So instead of dismissing the opportunity on that basis alone, we dug deeper, and made a call to his accountant to gain a better understanding of the economics involved in the write-offs associated with the Escalade and Panamera. We determined together that dropping his wife's car and adding his new 911 as his second write-off would provide significantly greater tax savings, and also honor his accountant's guidance to not add a third car.

There are other ways that digging deeper can be of benefit when financing a luxury car. For example, one of my Florida clients was purchasing a 2015 Porsche 918 Spyder in a private sale, and we calculated that the State of Florida's 6.0% sales tax would require a hefty payment of nearly \$45,000

to put the car on the road. In that case (and in many other states), the up-front sales tax alone provides a strong financial incentive to lease, because in most states the sales tax can be incorporated into the monthly payment schedule; providing the owner with use of that money over the term of the lease.

3. Can I benefit from a higher monthly payment?

Another key benefit of specialty leasing is that terms can be tailored to meet individual requirements, ranging from the amount financed and length of the lease, to the size of monthly payments. Although it may appear counterintuitive for most people, sometimes you can benefit from arranging a higher monthly payment. For example, if your Porsche is considered a business expense, a larger monthly payment can result in lowering your taxable income, and also can put more equity into the leased vehicle. This will result in a stronger financial position to trade up at lease end.

For a number of my High Net Worth Porsche clients, in fact, we've designed short-term leases from 12 - 18 months, where they've made substantial monthly payments, in an effort to lower the car's residual value in the lease, and to gain the ability to sell their car for more than they owe on it, when the lease ends. This provides those owners with additional equity to invest in their next Porsche.

Over the years, I've worked with owners of several luxury marques, and have a high level of regard for all of my clients. I will admit, however, to having a great appreciation for Porsche owners, who are, in my opinion, some of the most serious and knowledgeable exotic and vintage car enthusiasts in the world. Porsche owners appreciate automotive excellence, love to drive their cars, and possess a sense of loyalty and engagement with the marque's philosophy and tradition that few other car companies can match. That's why it gives me such great personal satisfaction to help Porsche clients find ways to acquire the vehicles they love so much. ■

