

Borrowing money to pay for stocks

[Business](#), [Management](#)



Leverage can also be used by individual investors in the stock market to increase their purchasing power through the use of a margin account (Sec, 2009).

When companies are able to reduce taxes and depreciation as they use leverage firms gain an advantage that allows them to achieve better-operating results. For example, two companies have the same pretax income. One firm uses leverage and has interest tax deductions, while the second company does not use leverage. The company that uses leverage will have a higher net income due to lower taxes. As you mentioned in your response leverage is often used by corporations in order to achieve growth. Successful multinational corporations such as McDonald's and Starbucks would not have been able to achieve their tremendous level of growth and success without the use of leverage. I agree with you that the value of a project is highly dependent on the present value of the cash flows the project is supposed to generate during its lifetime.