

A
GUIDE
TO
DEBT
FOR A
CHRISTIAN
BUSINESS

A Guide to Debt for a Christian Business

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~ Introduction ~

“Under what circumstances is it OK for a Christian business to go into debt?”

This question recently came up in one of my Christian Business Impact Groups (CBIG):

Several other members chimed in that they would like to see some Biblical insight on that question as well. I decided to add it to the curriculum list and began to research it.

As I researched an answer to the question, I could find almost nothing of any relevance.

There are several videos online, but they speak to an individual’s debt– not business debt. Of the few videos I could find on the topic, most were superficial and generally created by pastors who had little knowledge of business.

My search for articles on the subject turned up the same results – lots of people talking about debt for individuals, lots of ‘preaching’ articles by professional Christians, but very little practical guidance for Christian businesspeople.

So, I decided to dig into the subject and formulate a comprehensive guide for Christian business people on the subject of debt. This is it.

I hope you find it helpful.

Chapter One:

~ Understanding business debt ~

Definition of debt...

Here's the Wikipedia definition:

Debt is when something, usually money, is owed by one party, the borrower or debtor, to a second party, the lender or creditor. Debt is a deferred payment, or series of payments, that is owed in the future, which is what differentiates it from an immediate purchase. The debt may be owed by sovereign state or country, local government, company, or an individual. Commercial debt is generally subject to contractual terms regarding the amount and timing of repayments of principal and interest. Loans, bonds, notes, and mortgages are all types of debt.

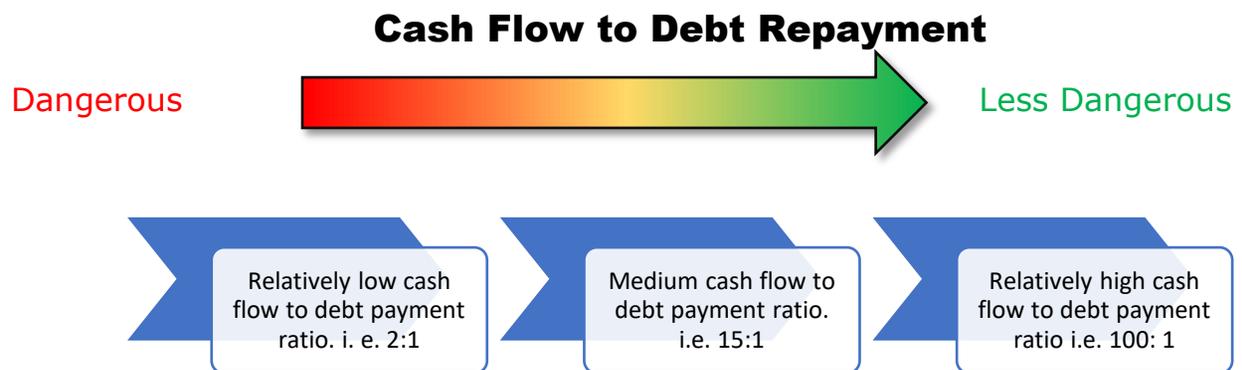
That's a good starting point. However, in our 21st Century business world, we can recognize some nuances. Not all debt is the same and some debt is less onerous than other.

For our purposes, debt can be characterized and classified in several important ways. When considering taking on debt, we should keep these issues in mind.

1. The relative amount.

It's one thing to owe \$1,000 and it's another to owe \$1 million. If you are a sole proprietor, the \$1 million debt might be staggering. However, if you're a Fortune 500 company, it may not be even noticeable.

For a business, the real issue is the amount of debt payment relative to the cash flow. The greater the ratio of cash flow to payment, the more acceptable is the debt. For example, if you are bringing in \$100,000 per month, a \$1,000 a month debt is 1/100th of your cash flow. That same \$1,000 is 20% of your cash flow if you are averaging \$5,000 a month. Clearly, the smaller the percentage of your cash flow the debt requires, the less dangerous that debt is.



Another way to look at the relative amount of debt is the asset to debt ratio. This looks at your business assets and then compares the total amount of debt to the total assets in the business. If, for example, your total debt exceeds your assets, you are in jeopardy of going bankrupt. So, the lower the debt to asset ratio, the more tolerable is the loan.

2. The purpose of the debt.

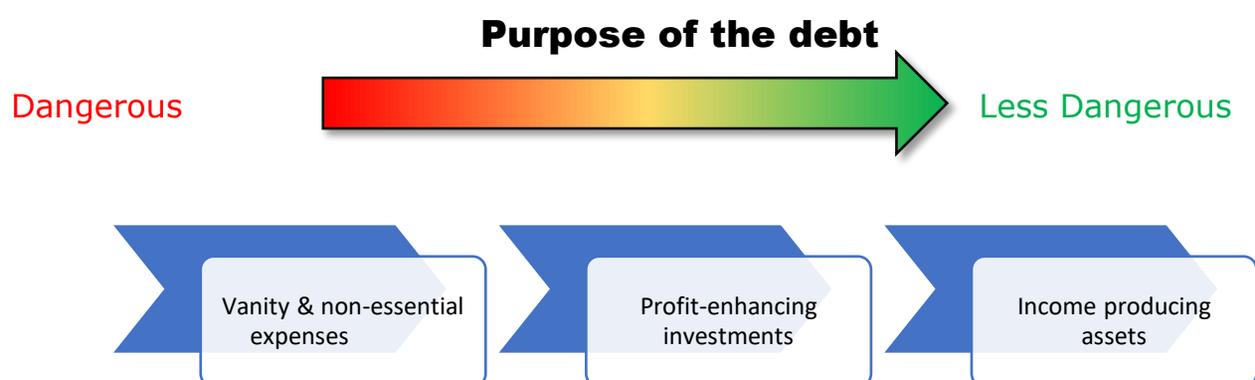
Again, it's one thing to borrow money to acquire a new piece of production equipment, and it's another to do it so that you can re-decorate the corner office. A long-term lease on a production facility is one form of debt, a credit card bill for entertainment expenses quite another.

Some debt comes in the form of capital invested in the business by someone or some organization outside of the business. In its simplest form, the international non-profits who make micro-loans to people in poverty are creating debt. Most of these

loans are designed to allow the person to build a business that will sustain them and are a powerful way to fight poverty.

In a more sophisticated form, it's hard to conceive of any major infrastructure project, like an airport or major highway bridge for example, being completed without outside capital (debt) being invested in the project.

Capital-intensive business are those which require an investment (usually in the form of debt) from a person or organization who has accumulated sufficient capital to start one of these businesses. For example, its hard to imagine a hotel being built without outside capital, nor a winery, major building development project, etc.



3. The means and type of commitment for repayment.

For example, you may create a royalty payment for a lender, where he is repaid by a certain dollar amount or percentage of every sale of a product or service. In that case, the lender assumes the risk of bad sales and little repayment. If the product doesn't sell, he doesn't get paid back. If it does, he makes an excellent return. On the other hand, you may decide to personally borrow \$100,000 to fund a new product line. It doesn't matter if the product sells, you are still committed to repaying.

Structure of the debt

Dangerous



Less Dangerous

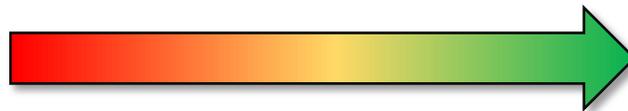


4. The quality and type of lender.

It's one thing to borrow the money from your family and friends, and quite another to get it from the bank across town. It's one thing to have a vendor finance your purchase of a piece of equipment, and quite another to acquire the funds from the loan-shark downtown.

Quality of the Lender

Dangerous



Less Dangerous



5. The cost of the debt.

Typically, the interest rate that you will pay to the lender for using his/her money. This can take lots of different forms, from the points you pay at the beginning of a mortgage, to the penalties you pay for missing a payment.

It's common sense to understand that lower-cost debt is preferable to higher-cost borrowing.

For a business, not all debt is the same. We can use these five criteria to assess the quality of the debt we are considering, and to alter the terms in our favor when possible.

One other thought...

Before we go any further, let's put the issue of debt into a larger framework. Borrowing, in all its forms, is a way of bringing other people's money into the business. For whatever reason, you have a need for money, but your business doesn't have enough of its own. So, you need other people's money to fund some aspect of your business. Borrowing is one choice, but it isn't the only choice.

You can access other people's money by selling equity. You can, for example, sell a portion of the business and have a minority stockholder. Or, you can create a limited partnership for a specific purpose and sell partnership shares in it. Or, you can sell an interest in a specific product line, production line or branch office, for example.

When you need other people's money, borrowing, and creating debt, is only one of the choices.

Chapter Two:

~ Some Biblical principles ~

There are multiple passages of scripture that provide us guidance on this issue. Let's look at a some of them.

Proverbs 22:7 New English Translation (NET Bible)

*⁷ The rich rule over the poor,
and the borrower is servant to the lender.*

Nehemiah 5:3-5 New English Translation (NET Bible)

³ There were others who said, "We are putting up our fields, our vineyards, and our houses as collateral in order to obtain grain during the famine." ⁴ Then there were those who said, "We have borrowed money to pay our taxes to the king on our fields and our vineyards. ⁵ And now, though we share the same flesh and blood as our fellow countrymen, and our children are just like their children, still we have found it necessary to subject our sons and daughters to slavery. Some of our daughters have been subjected to slavery, while we are powerless to help, since our fields and vineyards now belong to other people."

Understand that when you borrow, you now are in a 'servant' relationship to the vendor. You have reduced your freedom and have created an obligation. That obligation may come back later to cause you all kinds of adversity. And that leads us to this principle:

Principle: As a general rule, debt is to be avoided. Borrow very carefully and prayerfully. }

Matthew 5:25-26 New English Translation (NET Bible)

²⁵ Reach agreement quickly with your accuser while on the way to court, or he may hand you over to the judge, and the judge hand you over to the warden, and you will be thrown into prison. ²⁶ I tell you the truth, you will never get out of there until you have paid the last penny!

Ecclesiastes 5:5 New English Translation (NET Bible)

⁵ It is better for you not to vow than to vow and not pay it.

Romans 13:7 New English Translation (NET Bible)

⁷ Pay everyone what is owed: taxes to whom taxes are due, revenue to whom revenue is due, respect to whom respect is due, honor to whom honor is due.

You have an obligation to pay back that which you borrowed.



Principle: Only borrow that which you can realistically pay back. As a Christian, you have given your word, and must pay it back.

While these are plain and straight-forward, a little bit of thought will reveal some additional principles that proceed out of Biblical teaching. It is not a simple, right/wrong issue. Here are some principles that almost everyone can agree on:

Principle: It's better to be debt free than to owe anyone.

Principle: If you borrow, you must do so reasonably, with every expectation of paying it back.

Principle: Don't borrow more than you can liquidate and pay back.

Principle: Don't borrow hastily or mindlessly. Spend time in prayer and seek the Holy Spirit's direction.

Principle: Leases should be the shortest possible duration.

Principle: You should borrow very carefully, hopefully only from people you have vetted.

Chapter Three:

~ Practical Implications of Debt and The Lack of It ~

There are significant advantages to being debt-free.

1. Freedom.

If you owe no one, you are free of the burden that debt brings. The freedom means you are free to respond to opportunities that come up. Almost every opportunity to do something new – new branch, new product, new employee, new customer – which could lead to growth requires an investment of time and money. If your time is devoted to the paying off debt and you have little cash because you are working on someone else's money, you can not respond to those opportunities.

You may find yourself neglecting to build for the future because you are too busy paying off debts from the past.

But freedom is bigger than just business opportunities. The decision to take a major vacation for example, is a whole lot easier to make when you are debt-free than when you have payments to meet. So, business debt impacts the family.

You may have an opportunity to make a major gift for a timely cause. Debt constrains that ability, whereas lack of debt provides you the freedom to do so.

There is also the emotional freedom that comes with no debt. Life is just easier and less stressful when you aren't concerned about making the next payment.



2. Greater likelihood of your business surviving in a downturn.

When a business goes out of business, it is almost always because it can't meet the required debt payments. That is the event which signals the end. In the event of a serious business downturn, you can lay everyone off, sell off inventory, etc. But if you can't make your debt payments your business will be liquidated.

On the other hand, if you have no debt, your business can survive as long as you are alive.

In my story of the impact of 9.11 terrorist attacks on my business, (below) if we had any debt going into that event the business would not have survived the reduction in cash flow which followed it.



3. Ability to negotiate better purchasing terms and prices.

Lack of debt allows you the opportunity to negotiate better prices. In a world where 30 and 60-day terms are routine, almost every vendor will extend a discount for a cash payment. These 2 – 3% discounts can dramatically impact your bottom line.

If you have no debt, you can use your cash to acquire the products and services you need at a discount.

4. You can invest and give at a greater rate.

If a portion of your cash flow is going to pay off debt, that portion is no longer available to invest in the business, nor to provide monetary gifts when you see a need. If you don't have debt payments, then you are free to use the money as you see fit.

Chapter Four:

~ Consequences of Debt ~

There are very real, practical consequences to going into business debt. Of course, you have now increased your costs by adding another payment to the ledger. Since debt is payments you make in the future, in a sense you are counting on a future increase in cash flow to enable you to make those payments.

Regardless if those future increases happen, or not, you still have the emotional costs of an additional monthly bill about which to be concerned. Some portion of your time is now devoted to that debt. The time, money and emotional energy you devote to the debt is time, money and emotional energy that you do not have available for anything else.

This limits your ability to maneuver and take advantage of unforeseen opportunities to invest in your business. For example, a super-star potential employee may become available. But you can't make him/her an offer because your cash is going towards the debt. Or, you may have the opportunity to acquire a new customer who requires a substantial investment in inventory. But you are unable to make that investment because of the debt payments.



And, of course, the interest on the debt is now a new expense to the business and must be paid with increased cash flow.

Finally, the greater the amount of debt in your business, the greater the chance of going out of business. As I mentioned above, the event that triggers the bankruptcy or liquidation of almost every business is the inability to meet the debt payments. With no debt, you can almost always find a way to stay in business, even in the most difficult circumstances.

Chapter Five:

~ Practical Considerations ~

Before you take on any debt, consider all the other options first.

I have found that debt is often a too-easy answer to a cash-flow problem. Borrowing can often prevent you from developing skills and capabilities that can be useful.

When the terrorist attacks of 9.11 hit, my speaking/training business crashed. No one wanted to travel, and no one wanted to invest in developing their sales people. Every phone call was a cancellation. Literally, our business income vanished. However, my business was debt-free, and we had cash reserves. Despite not having any income, I was able to make payroll through the middle of November. I gave my staff the word, “November 15th is the last payday I can make. If nothing changes, I’m going to have to lay everyone off.”

I could have tapped into a line of credit or borrowed to meet payroll for another couple of months, hoping that things would change. That would have been the conventional wisdom, and the world’s easy solution. Instead, I gathered the troops together and said, “What can we do to produce income in the next 45 days?”

Realizing that people still needed training, but no one wanted to travel, we came up with the idea of phone seminars. At that time, there were no webinars, and phone seminars were occasionally offered at \$200 - \$300 each. We conceived the idea of TGIF&K – Thanks Goodness It’s Friday and Kahle. We set up a system so that people could order online, download a pdf file and make copies of, and then gather the sales force around a speaker phone and listen to me for an hour over lunch.

We put all the marketing behind it and set up to offer this new product in December. Registrations began to come in with the fees pre-paid on a credit card. In the first seminar, we had over 125 paid sites, and calculated that we reached over 700 sales people. All the registrations were pre-paid, and the cash went directly into our account. A new product was launched, we laid no one off, and did not borrow a penny.

Not only that, but those seminars provided the basis for the next wave of growth in my business. I presented monthly TGIF & K seminars every month for the next eight years, and they were the basis for the next phase of expansion in the business. The phone seminars led, after the 9.11 panic had settled down, to live seminars. For the next ten years, those seminars were the backbone of the business and fueled it to levels we would not have considered possible before 9.11.

Here's the point: If we had borrowed the money to meet payroll, we never would have developed the knowledge and skills necessary to develop the seminar business. The next phase of our business development would never have occurred had we taken the route of using debt to continue the status quo.



If you must acquire other people's money, think carefully about the structure of the debt, and use the most favorable structure.

Let me illustrate with this example. Let's say that you own a tool & die shop and have a customer who will commit to regular purchases from you, but you need to acquire a new piece of production equipment in order to service the order. The equipment is going to cost \$100,000, or about 15% of your current cash flow. The customer will commit to buy about \$8,000 a month. At a 50% margin, that will spin off about \$4,000 a month in new gross profits. If you applied that totally to the \$100,000, you could pay it off in about 25 – 30 months, depending on the interest rate. You are pretty sure you want to do this, if you can figure out how to finance it. Here are the possibilities:

a. Royalty. Under this structure, you find someone to provide you the \$100,000. Instead of a repayment schedule with interest, you offer a royalty of \$1.00 per unit produced by the machine until he/she has received \$115,000. The terms are such that if you don't sell enough to pay back his initial investment, you don't owe it. He is basically investing in the machine and you by taking some risk in return for a greater return.

You are transferring the risk – and some of the profit -- to the investor and agreeing to less gross profit in return.

This has the advantage that your debt is tied to a royalty. You have no personal responsibility. If your customer goes out of business and the machine become idle, the investor loses, as do you. You can sleep at night.

At the same time, you bring a knowledgeable investor into the business and he/she can make a determination about the viability of your deal. If it doesn't look good to the investor, it may not be right for you. There may be aspects of it that you have overlooked but seem obvious to him. You may get a free analysis of the arrangement as part of the deal.

b. Limited partners. This is similar to a royalty, only it requires the creation of new business entity – a limited partnership – and the partners have an interest in the losses and gains of that entity.

In this case, you find four (or some such number) people to invest \$25,000 each. You form a limited partnership to buy the machine and contractually agree to split the proceeds of the machine's output 50/50 (or some other agreed upon formula) between you, the general partner, and them, the limited partners. Limited partners have no say in the running of the business or the machine. They are 'silent.'

Limited partners own a percentage of the partnership, and losses as well as profits pass through to them on the agreed-upon rate.

One advantage of this structure is the same as with a royalty. You bring experienced, outside people into your business and they view your offer from a different perspective. If you can't get anyone to come into the partnership, maybe something is wrong with the deal.

The limited partners have no stake in the greater business, they only have an interest in the machine. So, if the deal goes sour, your other assets are safe.

This arrangement has the same impact on your emotions as the royalty. The investors understand if that things don't go the way you expect them to, they may lose money. You are not personally responsible for their investments.

I funded the publication of my first book, way back in the early 90's with this approach. I didn't want to borrow the money, so I created a limited partnership and sold shares to five of my customers. They received a fixed percentage of the gross profit. This worked out well for me, as these customers showed enough confidence in me and my message to put their money behind it. They helped market the book, and eventually got double their money back. I published the book debt-free, and it eventually became the best-selling book ever published in that niche.

This structure cost me more, but I didn't mind, as my book blessed the investors, blessed the readers, and was one of the stimulants that fed the growth of my business for years.

c. Equity sale.

Under this structure, you sell a percentage of the company for the \$100,000. You owe nothing, but you own a little bit less of the business. This may not be as intimidating as it sounds. Minority stock holders, in a closely-held business, have little say in the management of the business unless you want them to. If you are paying dividends every year, then you'll get a little smaller piece of a little larger pie. If and when you sell the business, you'll receive a little less, as a percentage, of what should be a little more, in absolute dollars.

The advantage is that you owe nothing. You've attached no debt to the company.

All of the structures above bring you the capital you need to buy the new machine without creating debt that you are personally liable to pay back. The next two structures don't have that benefit.

d. Secured loan

You make an agreement with the bank, to lend you the money to buy the machine, and the bank attaches a lien on the machine. If you don't make the payments, they come and get the machine.

Another variation on this is to have the machine vendor do the same thing. You agree to pay for the machine over the next 24 – 30 months, making monthly principle and interest payments. If you miss the payments, the vendor retrieves the machine.

The advantage of working with the bank is that you have a credible outside source look at the deal and affirm that it looks viable. Otherwise, they would not lend it to you. The disadvantages are all the disadvantages of debt. You will pay interest on the loan, and you will have the obligation to make those monthly payments, regardless of the success of the project.

The one somewhat mitigating factor is that the machine is security for the loan. If they take back the machine, (depending on how the loan is written) you are out from under the payments. You have ruined your credit rating, and lost a bank, but you may be free of the necessity to pay back any remaining balances.

The vendor may be a bit more eager to do this deal with you as they are making money on the sale of the machine as well as the financing. Think automotive dealer financing., for example. They may not take as critical a look at the viability of the deal as the bank would, and, because of the profit on the machine, may be easier to negotiate more favorable terms.

e. Unsecured loan.

In this structure, the bank gives you the money, and doesn't attach the machine as collateral. They may want your house as collateral, or they may provide it on your signature. For a Christian, no matter what happens, you now have the obligation to pay back this loan. Regardless of the life and viability of the machine, you have given your word, and are on the hook for the total amount of principle and interest, no matter what.

~ What about Lending? ~

Lending is the flip side of borrowing. Every time there is a borrower created, there is also a lender. You can't have one without the other.

Just like there are biblical principles that can guide our borrowing, so too are there Biblical principles that should guide our lending.

The Cambridge English Dictionary defines business lending as: *the activity of lending money to people and organizations which they pay back with interest.*

For a business, this lending usually takes a couple of forms:

1. Extended terms on purchases.

In this situation, a customer negotiates extended terms, say 120 days, instead of your routine terms of purchase – say 30 days. These extended terms are a form of loan to the customer in that you are allowing him to use your money for a few months. Typically, the customer pays an interest rate for the privilege of using your money.

What may be a more common situation is that the customer does not negotiate extended terms but fails to pay you within the terms he/she has agreed upon. In business terms, the receivable becomes past due. While you may not have planned for

it, and this loan is against your preferences, you still find yourself lending money, albeit unwillingly, to the customer.

2. Financing major business sales.

This is a similar situation, but it varies in the amount and the formality of the loan. This kind of situation may occur when someone sells a franchise, for example, and finances the purchase. So, a franchise buyer pays \$200,000 for a franchise from you, with \$30,000 down. You finance the remaining \$170,000 in the form of a formal note with specific payment terms and interest rate.

It doesn't have to be franchise – any large purchase qualifies for this type of lending – a home, office building, yacht, etc.

3. Loans made to friends and/or business acquaintances to help them start or expand a business.

For example, your nephew has an idea for a new digital business. He convinces you of the merits, and you lend him \$10,000, which he agrees to repay with a 7% interest rate, over the next five years.



Qualities of loans from the lender's perspective

Just like there are qualities of debt from the borrower's perspective, so too are their qualities of loans from the lender's perspective. This has been an issue for which a great deal has been written, from the worldly view. For example, the three C's of credit are a standard mantra in the lending industry:

The Three C's of Credit

Character:

refers to how a person has handled past debt obligations: From the credit history and personal background, honesty and reliability of the borrower to pay credit debts is determined.

Capacity:

refers to how much debt a borrower can comfortably handle. Income streams are analyzed, and any legal obligations looked into, which could interfere in repayment.

Capital:

refers to current available assets of the borrower, such as real estate, savings or investment that could be used to repay debt if income should be unavailable.

CAMEL is a tool sometimes used for assessing credit-worthiness of a borrower. CAMEL refers to:

- **C**: Capital
- **A**: Assets
- **M**: Management
- **E**: Equity
- **L**: Liquidity

Source: <https://www.gdrc.org/icm/3credit.html>

A Christian company ought to be even more careful, prayerful, and thoughtful about putting anyone else in debt to them, as the Christian company is a steward of the money that the Lord has granted them to invest. The question should always be, "Is this a wise and prudent use of the Lord's money?"

The parable of the three servants and the bags of gold accurately illustrate the Christian principle that we will be held accountable for increasing the Lord's money entrusted to us.

This is especially true when allowing a Christian organization to go into debt to you, either unintentionally through past due receivables, or intentionally through extended terms or outright loans.

Because we don't generally have the option of legal remedies, it is far more difficult and time consuming to collect a debt from a Christian company. See my companion e-book, *How to Collect a Debt from a Christian Business*. for details.

Further, since debt represents a form of servitude for a Christian, we should be very slow to put another Christian into debt by making credit or money more easily available. I know that runs against common practice, but, if anything, we should be much more hesitant to extend credit or loan to a Christian than a non-Christian.

Principles of lending for Christian businesses

Principle: Just like there is no prohibition from borrowing, there is no prohibition for lending. You may lend.

Principle: Extending payment terms is a form of lending. Do it very carefully.

Principle: If lending or extending credit to Christians, be especially careful. You are putting another Christian in bondage and are obligated to a time-consuming process if they don't pay back. See the e-book, *How to Collect a Debt from a Christian Business*.

If you wanted to help them, it would be better to offer a big discount for a cash payment or make an outright gift.

Principle: If lending, (or extending payment terms) the amount should be such that you could forgive it, if necessary, and it would not severely and adversely impact the company.

~ Applications to Common Situations ~

1. Buying routine goods on normal 30-day terms.

Worldly approach – Stretch out payment way beyond the 30-day terms so that you can use the money for other things

Christian ideal -- Pay off every payable within the terms that you agreed to. I have always (and still do) attempted to pay the bill before it was due, applying the Biblical notion of “Do unto others as you would have them do unto you.”

2. Buying routine goods, or items to be re-sold, on extended terms.

Worldly approach – Do this as often as possible, as this frees up the money to use elsewhere.

Christian ideal -- This really is a sign of weakness in your business and should be avoided in most circumstances. Unless it is a temporary or seasonal situation, if you must borrow to meet every day expenses, there is a problem with your business. Negotiating for extended terms is a form of debt. Far better to pay cash and negotiate a cash discount.

3. Buying capital equipment on extended terms.

Worldly approach – Try to negotiate this whenever possible, as the extended terms allows you to use the money elsewhere.

Christian ideal – This is the discussion about structure, above. Again, extended terms is a form of debt.

If the equipment is used to produce more profit, then the vendor is, in a sense, becoming a partner with you and has a vested interest in the success of your efforts. Choose your vendors very wisely. This very thing brought down a major Christian publisher when they couldn't make the payments.

The larger down payment you can make, and therefore the less debt, the better.

4. You are starting or expanding a capital-intensive business and need other people's money.

There are several industries and types of businesses that are dependent on other people's money to exist. For example, it would be difficult for most small business people to enter these businesses without the help of outside capital.

Winery/vineyard

Real-estate development

Road construction, and countless others.

Worldly approach – borrow as much money as possible so that you are using other people's money to make your own.

Christian ideal -- In a capital-intensive business, it is better to trade equity or a royalty for money, as opposed to debt.

This is the kind of deal that Mr. Wonderful does on Shark Tank -- X dollars in return for a royalty of a certain amount for every product sold. If the products don't sell, the investor is out his/her investment with no burden on the borrower to pay him/her back.

In a limited partnership, the partners buy into a deal and receive a share of the proceeds as well as the tax losses. If there are no proceeds, then the partners lose their investments with no burden on the borrower to pay them back.

Next in intensity would be asset-backed loans, such as a mortgage or car loan. Make sure your contract stipulates that if you can't pay it back, the lender has agreed to repossess the asset and cancel the debt. It may be that you are still liable for any balance of the loan not covered by the repossessed asset.

Borrowing from a bank or financial institution with a personal guaranty would be the most dangerous form of borrowing, as you know that, as a Christian, you are personally liable no matter what.

5. Buying on extended terms

If you are purchasing equipment and assets which are used in the business to create more profit it may be OK if the assets are collateral. In other words, if you don't pay it back, the vendors repossess the equipment.

Worldly approach – Finance the equipment for as long as you can, lowering the monthly costs, but incurring additional interest costs.

Christian ideal – Negotiate for the shortest, lowest-cost terms. If you can arrange a royalty deal on the equipment, that would be even better.



6. Signing a lease.

Long term leases are a form of debt. When you sign a lease, you are committing to pay a certain amount on a regular schedule. If you don't make the regular lease payments the outstanding amount plus interest and penalties accumulate into debt.

In this case, the worldly wisdom and Christian ideal coincide. Negotiate terms when you sign the lease that give you flexibility if you need to get out of it. Make all lease payments on time or early.

7. Business loans from a bank.

Typically, the bank will hold you personally liable for the loan made to the business. If it is a secured loan, you may have to offer your home as collateral. If an unsecured loan, they will be expecting you, personally, to pay the loan off, no matter the state of the business.

Worldly approach – Bank loans are a regular part of business. Maintain a good relationship with the banker and borrow as much as you can.

Christian ideal -- These are the riskiest loans from a Christian borrower's perspective, and ought to be avoided if possible.

8. Acquisition of a Line of credit.

This is an arrangement whereby you negotiate, typically with a bank, for a certain amount of loan, but only draw on it when you need to. You are only obligated to pay back that which you actually used. Whenever you draw on your line of credit, you have increased your debt.

For example, you may negotiate a \$50,000 line of credit at the bank. However, you only drew on it one time to get your through a temporary cash-flow situation. You drew \$15,000 on the line. You are obligated to pay back only the \$15,000.

Christian ideal -- While you may want to have a line of credit as a safety net for seasonal or other dips in your cash flow, it is best to draw on it as little as possible.

9. Borrowing from customers.

Of all the possible sources of other people's money, I like this the best. Your customers know you and your products. If they feel comfortable risking their money with you, in whatever format or structure you develop, it is a solid vote of confidence in you and your business.



Additionally, it binds your customers closer to you, creates a greater degree of transparency and trust, deepens the relationship, and makes it easier for them to remain your customers. If the deal goes bad, hopefully, you still have the customer relationship.

10. Credit card debt.

I'm not talking about using your credit card to make purchases and then paying the entire balance at the end of the month. While technically that may be creating a debt, in reality it is a technology for making routine purchases that has some benefits associated with it. For example, if there is a problem with the purchase, you can generally obtain resolution much easier through the credit card than through the vendor.

Many credit cards offer cash-back or points that can be viewed as a form of cash-discount and allow you more spending power. And, it is almost impossible to buy a flight ticket or rent a car without a credit card.

It is when you allow a credit card balance to go beyond the repayment date, and begin to accumulate interest, that you have created another debt. Typically, the interest rate charged on credit card debt is among the highest available, and you often find the debt growing rapidly.

This form of debt can be insidious, as the minimum monthly payments often don't reduce the debt proportionately, and you find yourself paying interest beyond what you expected.

Worldly approach – Use the credit card frequently and make the minimum payment.

Christian ideal – Pay off the balance every month and do not let debt accumulate in the credit card account.

11. Borrowing from friends and relatives

This is the classic way for small businesses to acquire the funds to go into business. It is very similar to the micro-loans made via small, local community savings and loan clubs to help members start or expand businesses.



It has the advantage of a coming from a source that you know and trust and who knows and trusts you. If the loan goes bad, you still have just as much an obligation to repay it as if it came from an outside source. It may even be a way to show the depth of your Christianity as a testimony to family members who may not share the faith.

On the other hand, friends and relatives may be more inclined to forgive the debt in the case of you being unsuccessful.

12. Extending terms to allow a purchase of your product.

This is a form of lending in that you are allowing a customer the use of your money for an extended time. The rules of good lending (three C's) apply to extending credit to customers, with the mitigating factor that you are probably making money on the sale and may be a bit more accommodating.

13. Lending money to another person or business.

Christian ideal – be very careful as to who, how and how much you lend. See the three C's of lending, above. If the loan goes bad, you should be able to absorb the loss without jeopardizing the business.

14. Lending money to a Christian person or business or extending terms for the purchase of your product to another Christian.

Christian ideal – Of all the loans you could make, this is the least preferred. You are putting another Christian under bondage to you, and obligating yourself to a long, painful and emotionally draining process if it goes bad.

~ What to Do When You Need Other People's Money ~

If you find yourself in a situation where you believe you need other people's money for your business, I'd recommend the following.

1. Begin with prayer.

Seek the Holy Spirit's direction. Ask for specific direction on several questions:

Do you really need the money? Is there some other solution?

If so, how much?

Is there an alternative approach to borrowing i.e. equity?

If a loan is the best solution, who should you approach to lend you the money?

When the deal is ready to be signed, are all the details and terms as they should be?

2. Brainstorm.

Gather some folks whose opinion you respect and brainstorm some creative ways to acquire other people's money other than to borrow it.

3. Seek advice.

This is one of the places where a group of like-minded Christian business people, meeting together in regular meetings, can be one of your greatest assets. If you belong



to a CBIG group, or any of the other Christian CEO-roundtable groups, take the problem and your solution to them for input and guidance.



4. Vet the lenders.

If you must borrow, closely vet the vendors. Remember, you are entering into a servant relationship with them. Do so very carefully.



5. Negotiate.

Try to negotiate the most favorable terms using the guidelines from Chapter Two.

6. Pay it back as soon as possible.

~ About the Author ~



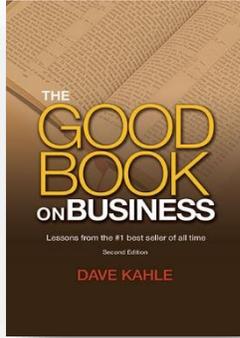
Dave Kahle has been a Bible teacher, elder, house church leader, short-term missionary and Christian executive roundtable leader. For 30 years, he has been an authority on sales and sales systems, having spoken in 47 states and eleven countries. He has authored 13 books, including [The Good Book on Business](#).

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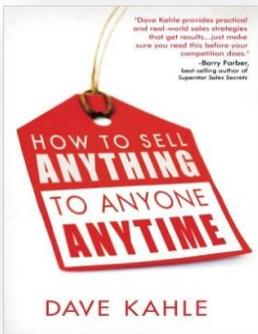
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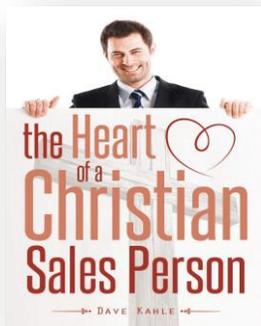
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The Heart of a Christian Salesperson. Being a Christian sales person is going to be tricky. That’s what I thought as I entered my first professional sales position. In retrospect, my life as a Christian sales person was confusing, gut-wringing difficult, frustrating, and wonderfully rewarding. [Learn More!](#)

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