



Name

Date

CONTENT MODULE SUMMARY SHEET

Wisdom for Using Debt in Your Business

INTRODUCTION

Most people are surprised to know that the Bible has a lot to say about finances, wealth, and possessions. In fact, there are over 2300 Bible verses that talk about just those things. Jesus taught frequently about these issues. Our resident expert and Iron Forums' benefactor is Kerry Mallory, a Senior Advisor at Ronald Blue Trust. Kerry is also the firm's National Managing Director, where he leads 17 offices across the U.S. Prior to these roles, he spent 15 years as a banker at a large regional bank. Kerry specializes in helping business owners and senior executives make better financial decisions and be better stewards of God's blessings.

In this module, Kerry shares wise tips for using debt in your business and discusses ways that we as Christians can use debt responsibly and in a Godly way.

SCRIPTURE

The rich rule over the poor and the borrower is slave to the lender.

— Proverbs 22:7

For which of you, desiring to build a tower does not sit down and count the cost whether he has enough to complete it?

— Luke 14:28

The wicked borrows but does not pay back, but the righteous is generous and gives.

— Psalm 37:21

CONTENT

This is just an outline. Be sure to add your thoughts and listen to the Holy Spirit to see what He may be speaking to you about this topic.

The bible does not say "thou shall not use debt." But, it warns us to beware the use of debt.

5 Questions to Ask Before Borrowing Money

1. How much money do I need?
2. What is the purpose of the loan proceeds?
3. How soon can I repay the loan?
4. How much of a monthly payment can I afford?
5. What collateral do I have?

Things to Consider:

Maturity Date or length of time when the loan is due.

Amortization Length of time it takes a borrower to repay principal plus interest.

Types of Financing for Business:

Credit Cards	Short term needs
Line of Credit	Short or medium term needs
Term Loans	Medium or long term needs

What are banks for looking for? Three C's of Credit

1. Character
2. Capacity
3. Collateral

How much is the right amount of debt?

- Your cash flow is at least 1.5x higher than your debt payment
- Your loan doesn't exceed 50-80% of the value of your collateral
- Can I sleep well with this level of debt?
- Can I afford this debt when my business is under stress?

Credit Score – How can I improve mine?

- Moderate number of open accounts
- Longer history of demonstrated satisfactory debt payments
- Lower total amount of debt outstanding
- Lower percentage utilization of your debt availability
- Don't apply at multiple places
- Look at your credit report often (free once per year: www.annualcreditreport.com). Report errors

Miscellaneous Tips

Before applying for a line of credit, consider: It is good to have backup liquidity, but there could be unused facility fees (which charge you for any debt you are not using). Plus, having unused line of credit still counts as debt, so it may limit your ability to borrow more. Be sure you have the discipline to use it for short or medium term needs and pay it off in full each year.

For short-term loans, consider variable. For long-term loans, consider fixed rates.

If you have excess cash reserves, consider accelerating your existing debt to pay it off early.

DISCUSSION QUESTIONS

1. How have your views towards debt changed as a result of this discussion?
2. In your own experience borrowing, what lessons have you learned?
3. What are some potential business items you may need to finance in the next 3 years?
Discuss the best way to structure the debt with your group.