



Interest on Borrowed Money Can Kill Your Business Success

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ABOUT THE AUTHOR

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We live in a world where most people have a credit and debit card. Many adolescents do not even know what it feels like to have coins in their jeans. They go to the Automatic teller machine which they treat like a one armed bandit. They put the card in and, if money comes out they think that they win and celebrate!

I'm concerned that most people don't understand what it is like to handle cash and quit spending when the wallet is empty. They are used to living on credit but don't really understand how much this is costing them.

Let's say that you want to purchase an item for \$10,000.00. If the interest rate is 28% that means that in five years the \$10,000.00 would have cost you \$34,359.74 - three times the amount that you borrowed in the first place!

Now imagine what you are paying in interest costs for your business loans, line of credit account and credit cards, It doesn't take long to understand that interest can kill your business and your long-term dreams.

There are certain things that you need to consider before you borrow money:

1. Do you really need the item(s) that you wish to purchase?
2. Would you be able to do without until you have saved the money for your purchase?
3. Do you know exactly what the cost of borrowing is and how long it will take to repay the money?
4. Are you willing to pay three times longer for something that you could wait to get?
5. Will the item you are purchasing directly increase your income?
6. Are you allowed to repay the money before the dates negotiated?
7. Is there another financial institution that has a lower rate?
8. What other options do you have that would lower or eliminate the rate?
9. Do you have lower rate savings that you could use to purchase your item?

You see, shopping for money is the same as shopping for anything else. You need to be wise and make sure that you are making good choices before you complete any transaction. You see, life has choices and many of these are consequences. Make sure that you are either not going to suffer negative consequences or are prepared to do without the things that you think you need. It's called delayed gratification.