5: Prudent and senseless business owners

Strategic business owners are constantly alert for threats to their business and opportunities to create a better future. **Proverbs 22:3** refers to these people as: prudent, sensible and wise…

"A prudent person with insight foresees danger coming and prepares for it; but the senseless rush blindly forward and suffer the consequences" **Proverbs 22:3 Passion**

One such strategic threat is emerging as we speak…and you're hearing about it on **105.1 Life FM**.

What is this danger we need to be aware of?

It's to do with economics, debt & interest rates; most folks have no idea how all this works:

1. Many see Australia's last 30 years of economic growth as a miracle; but growth fueled largely by unrepayable levels of debt is no miracle…sooner or later it has to be repaid
2. Over that time the banks have been inflating the money supply crushing the purchasing power of each dollar; the trigger for this phenomenon was low interest rates
3. It's economic madness for banks to pay savers 0% then lend at 2% on non-productive assets (i.e., housing); this is what set off the current unsustainable, housing bubble…

   …If they continue the current lending policies, inflation will run out of control
   …If they turn off the lending by increasing interest rates a 'credit-crunch' will result
   …Either way, we lose and vast numbers of homes and businesses will be lost.

What can prudent business owners do to prepare?

After checking the facts for yourself, here are 3 key strategies (subject to tax & legal advice):

 # 1. GET OUT OF DEBT…

* The biggest losers will always be borrowers ("slaves" according to Proverbs 22:7)
* There will be a wave of asset seizures from borrowers in default
* Check the Events-of-Default clause in loan doc's - are you are already in default?
* You may need to sell some assets to reduce or eliminate debt.

 # 2. IF YOU ARE IN DEBT, SOME URGENT HOUSEKEEPING IS NEEDED…

* If you need to borrow for plant/equipment, go through the dealer, not your bank
* Never sign a guarantee for anyone, children included
* If you are in default, consider changing banks, to literally to 'start afresh'
* Aim to get your home debt-free and removed as security for business debt
* Always discharge the mortgage once debt is repaid, thus releasing your title
* Don't be tempted to pay for things (e.g., a new car) by extending your home loan.

 # 3. THE OPPOSITE OF DEBT - BUILD A CASH RESERVE…

* They say cash-is-king; in tough times it definitely is…so, increase your cash reserves
* Tough times always create a buyer's market; with that cash…you can buy, cheap
* You can then invest more in marketing…just as everyone else is cutting theirs!

The prudent consider strategies like these; the senseless don't and will suffer the consequences!

…For a copy of today's notes + more strategies, go to: www.themarketingspirit.com.au - On Radio tab