

Digging Our Own Graves



During the pandemic, [American small businesses](#) are increasingly using credit cards to finance their enterprises. I've blogged about how Merchant Cash Advance companies are nasty vultures whose only goal is to bleed business owners dry. But beware – using a credit card to pay your bills is just as potentially destructive.

I understand why business owners are forced into using credit cards to make ends meet during tough times. The reasons are both painful and obvious. I've "been there and done that" long before the COVID pandemic. You work your tail off for years building a business. Everything is going great (or at least okay) and then out of the blue, Bam! A crisis hits you like a Tyson Fury punch to the head.

Suddenly you have little or no revenue. You've had to lay off all or most of your staff. You've done everything you could – got a PPP loan (forgivable, maybe, if you're lucky), used savings, cut back on everything, maximized revenue every way you can. Is what you've done enough? Will you make it?

Decades ago, I experienced a major (to me, anyway, small potatoes to the world) business failure. As I was going through this ugly process, I met others who had experienced similar tragedies. One guy told me that during his business meltdown he felt like he was “swimming in quicksand.” If you’re up to your armpits in quicksand, you’re stuck. Unless someone pulls you out, it’s over, you die. The more you struggle (swim), the faster you sink.

This is the classic “good money chasing bad money” scenario. If there is no hope, or little hope, of recovery and future profits, then by going deeper in debt you are only making your problems worse.

Every situation is unique. Also, like most of you, I’m a fighter by nature. I don’t give up easily or quickly. That said, 2020 is a year that requires the exercise of sound judgment. Your survival depends on it. Here are three lessons I’ve learned from the school of hard knocks.

Lesson One. You will probably not think clearly and rationally about your business when it’s in trouble. For the same reason that “a person representing himself in court has a fool for a lawyer” or a doctor cannot effectively diagnose his own disease or treat himself, you may not be able to adequately judge when the time has come to throw in the towel.

You need an outside opinion. If your business is teetering on the edge of insolvency and you are considering putting more money (savings or debt) into your enterprise to keep it afloat for a bit longer, get more information before you act. Your best source of this counsel is another businessperson who you know and trust; someone who is experienced enough in business to analyze all of your challenges and opportunities and give you an honest assessment of where you really stand.

Lesson Two. While we are risk-takers, we are not suicidal. Right now, it might seem like life is over if your business goes belly up. Let me assure you of this fact – life is not over if your business fails. If your business fails and you’ve racked up a ton of debt trying to save it, life isn’t over either, but the consequences of compounding your problems can be painful.

Do not confuse yourself with your business – they are two separate things. Your family comes first. You come first. Talk to someone about how you are feeling – a spiritual advisor, a close friend, a therapist, someone. Keep a proper perspective.

Lesson Three. Dave Ramsey is a freakin’ genius. He’s 100% right - becoming debt-free is truly liberating. Again, I speak from personal experience. Yes, I get it, debt is a tool. Like any business tool, it can be used for good, or it can lead you down the path to ruin. For me, debt is a drug worse than cocaine and far more addictive and destructive. Why? Because debt fuels dreams.

As business owners, we want to succeed. We work our asses off to make it happen. We are especially vulnerable to the “if only” propositions. “If only” I spent the money to get this or that, to buy this advertising, to hire this consultant, to build out my store, then I’d be home free. Beware of this all too human tendency and guard against it.

Okay, before you all climb my fence and throw rocks at my house, let me add some context to my comments.

I’m not saying to quit on your business just because times are tough. What I am saying, YELLING at you, is to be sure that you keep it real. Understand what’s really going on. Accept what is (Amor Fati), and don’t waste a second feeling sorry for yourself or wishing that your troubles would just magically go away.

If there is a way out, a path to success, then awesome! Go for it! It won’t be without risk, but that’s okay with you, I’m sure. Just be sure, damn sure, that you’re building a path on solid ground, not on quicksand.

Keep your credit cards in your wallet. Financing a business on 25% credit is really, really risky. Yes, I hear you shouting, it’s only for three or so months until things get better. But what if three months from now is WORSE than today in terms of business conditions? Don’t kid yourself, that’s entirely possible (consider the last three months).

Look at your situation straight in the eye. Don’t let either fear or reckless optimism rule your decision making. Now is the time for sober calculation followed by bold action.