



Trudy Belanco

Question

How do I reduce my debt?

Answer

Reducing your debt takes discipline. Excessive debt can drain your finances and damage your business's health. Reducing your debt doesn't have to be difficult, but it takes discipline. Here are some tips...

Tally up your numbers: Start with an accurate financial picture.

How much do you owe and to whom? Who owes you, and how much? Then create a 12-month financial forecast to determine how long it will take you to earn what you owe, including any interest and late fees. Finally, collect what your customers owe you, including any interest and late fees.

Liquidate what you can: Turn all but the essential items into cash to pay down the debt even further. Consider liquidating your aging or obsolete inventory, or selling off surplus equipment, and use the proceeds to reduce your debt.

Prioritize your payments: Decide who must be paid right away, and which bills can wait. Then, if your credit is not too far behind, consider getting a new card with low interest on balance transfers and moving any high-interest debt to the new card. (Be sure to pay off your lowest balance card first.) And keep expenditures to a minimum until everything's paid off.

Get the experts to help you: Call your bank and talk to a business advisor or a counselor who specializes in debt consolidation. They can give you advice on how to minimize your debt. Remember, it may be prudent to keep your critical suppliers out of your debt-restructuring agreement so your vital supply channels will remain open. **BL**

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