#124: Mastering the Money Game (Part 2): How to Build a Business with Personal Debt

Full Episode Transcript

With Your Host

Debbie Sassen

#124: Mastering the Money Game (Part 2): How to Build a Business with Personal Debt

You're listening to *The Jewish Entrepreneur Podcast* with Debbie Sassen, Episode 124.

Welcome to *The Jewish Entrepreneur Podcast*. I'm your host, Debbie Sassen. I went from being a financial adviser, author and chronic underearner to building my business to six figures as a financial planner and money mindset coach. And then, on to multiple six figures as a full-time money and business coach.

I help entrepreneurs create money making businesses and build wealth, using sales and money mindset strategies in alignment with authentic Jewish values. Now, let's dive in to today's show.

Hello, my friends, and welcome back to the podcast. This week, we are part two of Mastering the Money Game. And I'm going to start giving these episodes names because I have many topics that I want to cover. So, in this is part two of Mastering the Money Game, we're going to talk about how to build a business with personal debt.

Because many of the clients that I am currently working with, and or with whom I have worked in past years, come to me with personal debt. And other people come to me, they inquire about working with me to grow their businesses, and they either have personal debt, or they have had personal debt, and it feels so uncomfortable. That debt, in particular, feels so uncomfortable, there are chills in their body.

And if they've gotten out of debt, they tell me it was a horrible experience, it was like choking or suffocating and they never want to experience that again. So, in this episode, we're going to start by defining personal debt. I'm going to define business debt. What is the difference between the two of them? And why does it matter?

And then, we're going to talk about the ways you think about personal debt. Why is it that some people are okay building their business with personal debt, while other people just shy away from it? And there's a very important distinction. And then, we're going to talk about a method for you to build

your business with personal debt. So, that you can build that business that you are here in the world to give.

You are only here in this world for one lifetime, and there's so much bubbling inside of you. So many God-given gifts that you have. And it's your time to bring them out to the world and share them. You are meant for more. There are people whose lives you can impact with all of your goodness, and all your juiciness, and all of your gifts when you build your mission-driven business. So, let's dive into how to build a business with personal debt.

So, let's start out by talking about the difference between personal debt and business debt. So number one, personal debt is debt that you take on for your household; for your personal needs, your wants and desires. Now, sometimes you borrow money, that's what debt is, it is borrowing money, because you don't have the money in the bank and there is something that you desire.

Let's say you go to the clothing store and you see a skirt, or a shirt that you just must have. You know the feeling, right? You see something, oh my gosh, it just is amazing. You try it on. You look at yourself in the mirror, you feel great in it, and you decided you just have to have it.

Or maybe it's a new pair of shoes, a handbag, some makeup. Whatever it is, there's something that you don't have the cash in your bank account right now. And maybe when your credit card comes due, you will also not have money in the bank. And you're like, “It's okay, I'm going to figure it out.”

That's how a lot of people are with their impulsive decisions. They're like, “I'm going to figure it out. It's okay, I don't know about it. I'm going to figure it out.” So, you buy it.

There are other times when you incur personal debt because there's a medical expense, for example. Not something that you planned, not something you wanted or desired. Most of us don't desire to have

unexpected medical expenses. And of course, you're not going to hold back, withhold on your on your health, or that of a family member. So, you put it on a card.

Sometimes we have personal debt, because we're studying, we take on a student loan. I'm not going to deal with that at the moment because that is personal debt indeed, but it's a slightly different category. But I'm talking about things that you might need in your household.

You might buy yourself a bedroom set, dining room furniture, a new refrigerator, either because you needed one or because your refrigerator broke down and you didn't have any money in an emergency fund. So, you swiped your card, took on personal debt, so you could have a fridge. You understand what I'm talking about.

But here's the very specific definition that I want to give you about personal debt, because it's going to reframe and change the way that you look at things. When I buy something today that I don't have money for, for my personal household expenses, what I'm really doing is borrowing money from my future self.

Meaning, if I buy a refrigerator and I put it on a payment plan. Let's say I'm going to pay my refrigerator back in 36 monthly installments over the next three years. Basically, my future self, next month, in two months from now, in a year from now, 18 months, two years, two and a half years, my future self is going to be making all of those payments. I needed something or wanted something or desired something today, I didn't have the cash for it, so I'm going to borrow that money from my future self.

Now, I'm also letting my future self figure out how she's going to come up with the money to pay it back. But basically, I'm saying, “I don't have the money. Future self, you're going to go and you're going to figure it out.” Okay, so I'm borrowing money always from my future self, when I buy something today that I don't have the cash available for. That is personal debt.

#124: Mastering the Money Game (Part 2): How to Build a Business with Personal Debt

And I want to make one more specification about personal debt. With personal debt, the things that you buy, whether it's clothing or food you like eat, you consume, and it's gone. Clothing you can wear for six months, sometimes six years… I actually have many clothes that I've had for years and years and years, because I'm not growing anymore. And I buy quality clothes that don't wear out in a season and they're pretty classic.

It could be an experience. You buy a holiday and so you go away for two weeks with your family, you remember the holiday, you take pictures. Personal debt is used on something that you spend today, and then it doesn't grow in value over time. Other than an experience, where we remember it, and we have good feelings. We maybe could look in the album at the pictures.

But the food we eat, the cars we drive… The moment you take your car and you drive it off the lot, it's worth 30% or 40% less than brand new. You've just hit the street, the tires got a little bit scuffed up, and now it's worth less money than it was just a couple of minutes ago.

Anything that you buy with personal debt does not grow in value. If you take your personal money and invest it in the stock market or real estate, that is a different kettle of fish; we're not talking about that. So, personal debt also doesn't grow over time and value.

Business debt on the other hand, is money that you borrow, you put it into your business, and the concept is, the expectation is, is that your business is going to grow in value over time, and it's going to give you a cash flow. It's going to give you a salary and then hopefully you're going to save money in a profit account. And your business will pay you dividends over the long term.

Businesses, when they're run sustainably and profitably, grow over the long term. And your small business is going to be different from the big businesses that are traded on the stock exchange. But over the long term, we see from the stock exchange, like the New York Stock Exchange…

which is basically ownership interest in businesses… that businesses grow, on average, over the long term, by about 10% per year.

They can have years when the value is up 20%. They can have years when the value is down 20%. But over very long periods of time, businesses grow on average by about 10%. And that would be the goal for any business loan that you take to put into your business.

And truthfully, small businesses can grow much more quickly. They're smaller, they're more nimble, they're just getting started. For many, many reasons, small businesses can grow, and most of them do grow, when they run correctly and profitably. They do grow at more than 10% per year.

But let's just use that as an example. So, if you borrow, for example, $10,000 as a business loan, and you put it into your business, the average expectation would be that your business would grow in value to $10,000, plus that 10% is another 1,000, so it would go to $11,000 in value for after one year.

And after two years, it will now have an additional $1,100 in value. So, now your company would be worth $12,100 and so on. But the idea is that the business grows in value over time.

So, business loans, which is to invest… It's not to spend. The idea of a business loan is to invest in your business, so that your business increases in value over the long term. Personal loans are usually for something that is going to decrease in value over time.

I also want to just share some numbers with you about personal debt. Because I think, based on the little bit of research that I did, that there's probably a 50/50 chance that if you're listening into this podcast that you have some personal debt. Or you may have had some personal debt in the past.

Just based on the number of Americans who have credit card debt, about 45% of the American population has credit card debt. And close to 70% of

#124: Mastering the Money Game (Part 2): How to Build a Business with Personal Debt

Americans are rolling debt from month to month to month. Meaning, they don't pay off their debt almost ever.

In Israel, where I live, the statistics are similar. About 41% of our population lives in overdraft. We don't have, because of the way our banking system is structured, we don't have the credit card debt problem. Although there is some of that also, we don't have that kind of problem. But there is a trend in Israel, it's just very commonplace for people to live in overdraft. We call it over or minus.

And 41% of the population is living in minus. Many people also have taken bank loans. They wanted to close out the minus that's in their bank accounts, so they borrowed money from the bank to pay off the bank loan. And then, they have a different kind of loan, They have a different kind of personal debt that they have borrowed from the bank.

So, I think there's a 50/50 chance that if you're listening to this podcast, you either do have debt currently, or you've had it in the past, or maybe a combination of both. So, I think it's a pretty fair assumption that most people listening to this podcast understand what I'm talking about.

So, here's the thing about your business. When you're just starting your business, your business needs a cash injection. I like to compare it to anybody who's growing a brick-and-mortar business, whether it is a clothing store, a shoe store, any sort of factory, it could be your local fruit and vegetable store, we definitely understand that those types of business operations need a cash injection.

Because they need to find a place that they need to rent, and they need to have inventory. They might have to do some renovations before they actually open the door to their first customer. They need to turn on the lights, so they have to pay for electricity. They have to hook up the water, so they're going to be paying for the water. Then you have to hire employees.

#124: Mastering the Money Game (Part 2): How to Build a Business with Personal Debt

There is a huge cash investment in brick-and-mortar businesses before they've even made their first dollar. When it comes to service-based businesses, in particular, online service-based businesses, there's some entitlement that people think that they can just show up online, on the internet, and they can run a business without investing cash.

And I was thinking of different types of businesses, and I was like, “What kind of business can you start without a cash injection?” So, a babysitting business, for example. You have a neighbor, she needs a babysitter, and you can knock on her door. She might knock on your door, like, “Hey, I'm available to babysit.” And so, that's a type of service-based business where you don't need a cash injection.

Dog walking, it's very popular, especially as a side hustle. And it's something that people both young and old do. And you can go put up flyers, it cost a little bit to put up flyers in the apartment buildings in your neighborhood. Or maybe you're going to send out these days, something on a WhatsApp group, a neighborhood WhatsApp group or something. But you can grow a dog walking business without spending a lot of money.

Or maybe you're going to knock on your neighbor's doors and say, “Hey, I'll do some gardening for you.” Or you might go into people's houses, take out the trash. If you're want to run a cleaning business, you might be able to put up some flyers, talk to people, be willing to start somewhere. There are some service based businesses where you don't need a cash injection.

But many of us, whether you're running a coaching business, a copywriting business, a web design business, those service-based businesses also can get started just by talking to people; the people, you know, the people that are starting out. But eventually, you will want to borrow some money. Or it's very likely that you'll want to borrow some money to get yourself going, so that you can hit that growth stage that many businesses do go through.

Most of us were not born knowing how to run a business. And so, you're going to need some guidance from a coach or mentor. There are some tips,

tricks, and guidance that you can get off of the internet. I think that most of the things you probably want to know are available on Google. And you might be able to get some free mentorship. Maybe there are some resources in your neighborhood or online that you can find, so you can get some free guidance and mentorship.

But what I have found from being in business for 16 years, is that when you follow one path, you have one guide or mentor, whether it's a very specific roadmap, but you have somebody's worldview, somebody's perspective, somebody's experience that's guiding you, rather than grabbing at a bunch of different things and trying to make a sensible decision.

So, that's definitely something that is worthwhile investing in as a business owner, is to get yourself a guide or a mentor.

The second thing is, as you grow your business, you will want to raise the perception of yourself among your potential new clients. So, at some stage… I really don't think that you need to do this in the early stages, the beginning stages of your business. But later on, you're going to want to put up your virtual shingle on the intranet, and we call that a "website".

Again, in the early stages of your business you can knock on people's doors, you can go to networking meetings, you can meet people, and you can tell them what you do. You can ask them if they have any connections they can make for you.

You can call your relatives, you can call your cousins, your classmates from school, and just let them know, "Hey, this is what I'm doing. I built a business. And if you know anybody who can use my services," that's an a very, very effective way to build your business.

But you might, at some point, want to branch out beyond the three-mile radius from where you work. And as you grow a little bit more, and your prices go up, people are going to start checking you out. They're going to want to see testimonials. They're going to want to see case studies. They're

going to want to see examples of your work. And that you do with your website.

You might also want to invest in having a podcast, like this one, where you can share your ideas, your thought leadership. Or maybe you want to have a YouTube channel. Some other ways that you can reach other clients. But whether you are a brick-and-mortar business, or a servicebased business, there are things in the future that you're going to want to invest in your business.

Also, as you grow, I'm going to use myself as an example, as a coach. As I grow in my coaching business, and as I serve more clients, I have less time to do some of the admin jobs in my business. So, of course, I have a podcast production team that produces this podcast that you're listening to. I also have an assistant who helps me with my billing. And I have an assistant who helps me with some of the backend work that I do on my website, and some social media graphics and things like that.

So, I have other people in my business doing some of the work that I was doing myself at the very early stages. So, again, as you grow, you're going to want to bring people in. And that requires a bigger cash flow so that you can pay them their salaries. And so, you're going to want to increase your salary, or your income, so that you can pay your contracted workers.

So, then the question is: If you have personal debt… And you may not feel great about it. You might be thinking, “Oh, my gosh, I’ve got this personal debt. How do I now go on and take a business loan to invest in my business?” Again, I'm not saying that you have to. I do think that it is very worthy of consideration.

But here's what I want you to know about your personal debt, and I want to reframe it. Remember what I said about your future self paying off the decisions that you make today. The reason that most people feel so horribly, really, again, those full body experiences like, “I can't do this again.

It was suffocating and choking me. I just don't want to take on any more debt because of this experience."

The reason is that they're usually beating themselves up about a decision that their past self made. And this is a little bit of a time warp-y concept. But as I said, if you borrow money today, your future self pays it back. You, in your present self, if you're paying off personal debt, your past self made that decision. Right?

So, it could be that three years ago, your past self decided that she wanted to buy living room furniture, and she put it on the credit card. And for the last three years, every single month, you've been paying off another installment, another installment, another installment, and another installment.

And maybe your past self bought the living room furniture three years ago, and then two years ago your past self decided we need to go on a summer vacation and it needs to be a big deal and it needs to be and blah, blah. You understand what I'm saying. Our past selves make decisions and our current self is paying the price for the decisions that our past self made.

So, here's the thing about your personal debt. You can either beat yourself up that you made a dumb decision, and if only you had known, if only you had thought it through to the end, if you only under stood the consequences.

Consequences are something that we teach our kids. You have a toddler, she's sitting in the highchair, and she has her bottle of apple juice, and she throws it on the floor. And you pick it up and you put it back on the highchair tray. And then, she throws it on the floor, and you pick it up and you put it back on the highchair tray. And then, she throws it on the floor again, and you pick it up and you put it back on the highchair tray again.

She does it one more time, you're like, "Sweetheart, we're done with this game." You take away the bottle, you take your toddler out of the highchair, and you're saying, "Sweetheart, I love you very much. But there are

enough sticky spots on the floor today. We're not doing this, throw the apple juice out of the highchair game again."

But you don't beat her up. God forbid, right? She's a toddler, she's doing what toddlers do. She throws her bottle on the floor. She's testing gravity, she's doing the thing. And she's also trying to engage you in a relationship with her. And she's like, "Oh, look, mommy jumps every time I throw my bottle on the floor. Isn't this fun?" But we don't beat her up, "That was a stupid thing to do. And look at you." Don't do that, right?

We just nicely give her a little hug, "Sweetie, the game is over. No more that game. Go now and play with your other toys." Or we sit down with her, we read her book or something like that. But we know that the highchair apple juice game is over. And she, ultimately, will learn from that experience, that mommy is not playing that game. And she's also going to grow up and she's going to find other games, like drawing with crayons on your walls. So, the apple juice game will no longer be interesting to her.

But it's going to pass. She's going to learn from experience, and you're not going to get too frazzled by it, because you just know it's a normal stage of development. The thing is, with personal debt, it's the same thing. We just don't think about it like that.

Your younger self, you're younger you, your past self, didn't really understand the consequences or the ramifications of taking on personal debt. And now, you today, you're smarter, you're wiser, you have experience.

You might be learning a little bit about money and personal finances, and you're like, "Oh, there was a price to pay for putting things on the credit card. I never really understood how that worked. But now I have an example of how it works. Oh, okay, I see that. Now, with my older age and greater wisdom, I'm going to make more intentional decisions. I'm going to be more discerning because I have learned from my past mistakes." And that's just what life is about.

#124: Mastering the Money Game (Part 2): How to Build a Business with Personal Debt

Life is about learning from our past mistakes. So, rather than saying, “Oh my gosh, the debt is terrible, it's suffocating. I'm never going to do it again,” we really have to pat ourselves on the back. We're going to be like,

“Thank you, my younger you, for trying something. You didn't understand all the consequences of what you were doing. And now we have learned from the experience. And what I have learned is that there are some things that I bought three years ago, that if I had to do it again, I'd be like, ‘No, I don't enjoy that.’ It was a great idea at the time. But when I look back, I'd be like, ‘Nah, not going to do that again.’”

And that's where you, now, today, with your wisdom has to think about your future self. Is she going to want to be paying that debt back in three years from now? She might be saying you know what the living room set is amazing. We have had family gatherings there. We sit on the couch, and we talk and we're such a bonded family because of this beautiful living room furniture.

And in my house, certainly on Friday night we fall asleep; everybody falls asleep on our sofas and on our recliners. And it has been the best investment in our living room furniture, and I wouldn't change it for anything, because it's just part of our living room. But there might be other things, there are definitely other things in my house, and I'm like, “Oh, that was a stupid choice. I would never do it again.”

But that's the only thing that you have to bring to it, is like, “Yeah, I learned something. I'm not going to do that again.” But it's not the debt. It's not that the debt is bad. It's not that the debt makes you suffocated, or the debt is choking you, or the debt is terrible, debt is just a tool and it's you borrowing from your future self.

Alright, so let's sum this up and figure out what does this mean if you have personal debt and you're growing a business. Number one is, you're going to be more intentional and more discerning about your personal expenses, especially in the early stages of growing your business. Your business

needs your money to stay in the business. Because there are going to be a lot of new things that are happening in your business that you didn't know.

And you're going to be paying a bookkeeper, you're going to be paying an accountant, you're going to be paying taxes, right? There are expenses that are going to need your money to stay in the business. And again, there are going to be business assets that you will want to develop. Things like a website, or maybe you're going to be paying for a membership to Zoom. You're going to have an annual Zoom membership.

You're going to have other subscriptions in your business that makes sense, you're not going to overspend. And you might be investing in business mentorship to help you grow. You might be investing in sales and marketing mentorship, because those aren't your natural skill sets. You might be a copywriter, a coach, a photographer, but you didn't learn those other things. You know what you know, and you need some help learning some other things.

And it's always a good idea to hire out help, because it just makes you learn those things faster, or get over your hurdle faster. Because your business income, especially in the early days when it is little and your personal expenses can be big, what you want to do is keep your personal expenses as little as possible, as low as possible, especially in the first three years of your business.

Statistics say it takes three to five years for your business to fully pay for your personal expenses. It means it can partially pay for your personal expenses. But to fully cover your personal expenses, you need to give your business time. Your business needs to grow up. It needs to figure out who you are, who you serve, right?

It's going to be a little bit of trial and error in the beginning and the middle and the end of your business; we're always trialing and erroring things. So, you want to not have your personal household budget rely on your business to pay all of your expenses. You can't rely on your business, in

your first year, to put food in your refrigerator and to keep the lights on in your house. It can't pay the rent, can't pay for the clothing for the kids.

You're going to put so much pressure on your business if you make your business do that in the early stages. You have to let the money stay in your business. And you also can't hustle your way out of the early stages of business. Growth takes the time that it takes.

So, what do you do in your house, especially if you have debt? Number one, be extremely discerning about your expenses. You're going to have to say, “You know what? This is the tradeoff that we're making, right? My current self is willing to sacrifice. My current self is willing to say no on a personal basis, so that my business can pay money to my future self.”

And if you have kids… and I've got eight kids, and I started a business, when my eighth child was a newborn baby, just less than a year old… the kids will have to learn to live with a little bit less. It's not a terrible thing. Everybody can pitch in. They can pitch in with the household chores, if you have somebody who's a cleaning lady or whatever. Now, of course, it's going to depend on the ages of your kids. But your kids can pitch in.

You can make your business a family business. Not that your kids are working in the business, but that's not so bad either. My kids helped me pack my books, when I did my book launch five years ago for the *1K Investor*. I have lovely pictures of them helping me to pack up my books.

But they can help around the house. I mean, if they are two and three, of course, they're not going to be able to do that. But you can involve them more. Maybe let some of your household help go, reduce your expenses as much as possible, and then if you need money to pay your household expenses, you can get a side job.

When I left the Bank of Israel 16 years ago, and I opened my own business, for the first year of my business I had part time income. I had a part time job. It was pretty low paying, but it covered some of my bills. I also had severance pay from leaving the Bank of Israel. So, I had this cash

windfall that we left in the bank, that was able to pay some of our bills while I was learning to build a business and grow my business.

You can take money out of savings. And you can borrow money in your business, that you park in a bank account. It's not there, especially in the early stages, to invest in your business growth. The money is there just so that you can pay yourself a monthly salary.

You have to be discerning about your expenses in your personal life. And you have to be discerning about your expenses in your business life. And that is the way to grow your business, especially in the early stages. And with personal debt, don't be in a rush to pay off your personal debt. Don't beat yourself up and tell yourself stories about how horrible it is. Put yourself on a steady payment plan. Be consistent. Be that tortoise, slow and steady wins the race.

When you're hustling to pay it off it comes from this underlying belief that there's something wrong with the debt, or that you're never going to make the money to pay it off. Be okay having personal debt. All you did was borrow money from your future self, and your future self is working really hard to get her business going so that she can pay off the debt.

So, there are ways to make it work. Again, whittle down your expenses; this is a short-term plan. When my dad opened his business… My dad was fired by his ex father-in-law. My dad worked for my grandfather for the first 15 years of their marriage, and then they got divorced. My father was persona non grata, and he was given the boot. Makes sense, there's no problem with that. It was a very uncomfortable family dynamic, that my dad would be going to work every day for his ex father-in-law.

So, my dad started his own business. And I remember the year that finances were so, so tight. And they gathered the kids together And they told us, “You know what? This year for Hanukkah, it's going to be a very tight Hanukkah.” And we used to get more lavish gifts on Hanukkah; I don't

remember exactly what they were. But I remember the year that I got one turtleneck sweater, that was the only gift.

And I wanted to go to summer camp that year. My parents couldn't pay for summer camp because there was no extra cash. And being the determined young teenager that I was, I went cleaning houses so that I could send myself to summer camp. But my parents were very discerning. They're like, “No, this year, Daddy's building the business, we don't have extra cash.”

Don't be embarrassed if that's what you have to say to your kids. Because you're building something for the future, and you're putting your effort into it, your energy into it, your intelligence, your creativity into it. And help your kids have pride in you, that you're building something beautiful for the future. That you're building something with a purpose, a mission that's going to take care of the family.

And this is how the family rallies together in order that our future can look different. So, don't talk down to yourself and beat yourself up because you have debt, just know that it's going to take more resilience, more cutting back in your personal expenses, right?

You're going to give yourself maybe a little splurge fund, so that maybe once in a month or once in two months, or something like that, you can take the family out to a restaurant and celebrate some business growth. Use it as a time to celebrate, and also have some real-life experiences.

But this is a special time in your life, when you're going to cut back today so that your future can look different.

Alright, my friends, that is what I have for you today. You can build a business with personal debt. And I encourage you to go ahead and take the leap and do it. Because there is something in your heart that is just waiting to get out into the world. And your people are there, they want to be served by you and just bring your gifts to the world. It is such a beautiful experience.

#124: Mastering the Money Game (Part 2): How to Build a Business with Personal Debt

Thank you for listening in and I look forward to seeing you next week on *The Jewish Entrepreneur Podcast*. Bye-bye, for now.

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