

Is Debt Sometimes Necessary?



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Lawn care and landscape professionals speak out

rockymtnnut: There is nothing wrong with financing a piece of equipment from time to time. Save up 20 percent then go to your bank and get a small loan pay it off in 90 days or as soon as you can. A good commercial hydro will at least triple your productivity over a push mower, not to mention you need a commercial mower. It's just the cost of doing business be professional. If you want to grow into a real business you need to grow your credit.

You must be disciplined with credit, it's part of being in business and if you can't be you shouldn't be.

If you don't have a good mower how are you going to make money and charge a realistic rate? If you can't handle a mower payment of under a hundred a month maybe this is not the right business for you. Are you the guy pulling the craftsman mower out of a mini van? If you are that's bad for business and the industry.

chippewaTD: I don't think credit is a good idea. You should grow with your business. If you don't have the capital to buy a new or used mower with cash, your business most likely doesn't need a new mower. Unless you grew so fast that now you have all these lawns that need to be mowed in a certain amount of time. But fast growth isn't good either. You want steady growth, which will enable you to grow with your business and not have to buy equipment before you really need it. When you buy equipment on credit because you got one big lawn you really "need" the mower for, what happens when you lose that account the next season? You won't be able to afford to pay the loan off and you will have a mower that you no longer have a use for. If you can't afford a new zero-turn, buy used and use it until you have enough money to go buy the new mower you wanted. It takes sacrifice and self-control. I'm not saying this always right, but it's how I'm running my business. I've seen many people who have suffered from taking out loans they can't afford, yet I've

seen people who have taken the risk and it has paid off. I guess it comes down to what your comfortable with. Just my opinion.

larryinalabama: If you can't afford a lawn mower perhaps another business would be better. Lawn mower payment doesn't even sound right.

JContracting: I'm not even going to voice my opinion on this except that I've used lots of credit sources to my advantage and will continue to do so as it's a great way you can handle a lot of growth. What if you land a 10-acre commercial property or townhouse complex and you're currently set up for small residentials, yet you know this will make or break your company if you take this on?! Same with plowing that same property if it's multiple acres. What are you going to do, just not take it on because you can't "buy the equipment with cash"?!

EvTeal25: We buy a new piece of equipment every year on credit, and have it paid off within two years. We have five zero-turns, one tractor and a backhoe. It's worked out very well for us. Improving our business and credit at the same time. But every business has different needs and situations. Good luck in whatever you decide.

jeeperscrow: I have followed the pay everything off with cash policy my first three seasons doing this, and in the process I was never able to reach my full potential because of having to turn certain jobs down. Within the next few weeks I will be using credit to finally get a commercial mower. It's the only option I have right now to properly grow my business, and I'm thrilled I have that option! Isn't that what 99 percent of successful businesses do? Take out loans in order to make more money? It makes a lot more sense than buying things all in cash if you know you will be able to afford the payments with the contracts you have, then go for it!

JContracting: Yes, it is how most companies make more money. I guarantee every company in the fortune 500 takes out loans.

There's no way I was going to pay \$13,000 in cash for a mower with a bagger system, but I needed the mower. Zero percent financing is your friend!

larryinalabama: Debt causes more failures in the lawn business than all other factors combined.

205mx: Here's the raw deal:

Debt is not required, but it is not detrimental. Usually small businesses that operate with less debt will grow a tad slower, but less will go under.

We should always be monitoring cash flow.

To the argument that debt is a bad idea: while no debt is usually better, debt is not always bad. It's not my choice, but if you can manage it, fine. I believe the less debt, the better. I believe debt can cause you to feel as if you aren't actually spending \$13,000 on a new mower, while only netting \$25,000 a year.

To the argument that it's better to use zero percent and use their money: not really; usually this means you don't have enough cash to make the purchase and still have plenty left in savings. Read: you can't afford it. The fact is zero percent is a sales tactic. I've bought at zero percent; it's not always so bad.

rockymtnnut: How is a \$100 payment going to shut down an LCO? Lack of quality and production causes most to just walk away. What is wrong with six month same as cash then paying it off early? Ninety-nine percent of all businesses at some point will need short-term credit. Do a job for P&G and wait 90 days for payment and still pay everything else. Short-term credit here you come.

In a nutshell, build and protect your credit, you'll need it some day.

TuffTurfLawnCare: I love credit. I don't just use it, I take advantage of it. I have a zero percent loan on my equipment from last year. I could have paid cash for it after I sold a toy, but figured why not use someone else's money for free. Plus by keeping liquid assets I was less worried about cash flow during the first year. Even though I started out with zero customers, I had no worries about cash flow. Same when I had to skip lawns during the slow growth of mid-summer.

Had I spent all my money on equipment, I wouldn't have had the cash to cover daily expenses, advertising, etc. But, at zero percent I have a pile of cash in the bank, and even as the snow flies I make my payments without worry. (Actually, the payments are automatically charged to my business credit card, then paid off at the end of the month so I get my rewards points.) Staying liquid is just as important as cash flow and is often under-estimated in its importance.

Debt isn't bad. Some people are afraid of it, don't like it or understand it. Its not a black and white issue. It is a tool to be used with care at the right time for the right reasons at the right terms. That is all it is. Like I said here and in other posts, I love credit. I love the game of it, and I (as many others here) take advantage of it by using other people's money for free, and even better, getting piles of free crap from tools, backpack blowers, vacations and airfare. To each their own, but it's always wise to explore the options available and see how they benefit you.