

Ep #8: The Cost of a Debt-Free Business



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With Your Host

Becca Pike

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What is up? This is episode eight. I am your host Becca Pike, and let's talk about borrowing money from others in order to feed that business of yours. Let's go.

Hey, guys. I'm Becca Pike and welcome to *The Hell Yes Entrepreneur* podcast, the number one show for entrepreneurs looking to create their first six-figure year. If you've got the drive and you know how to hustle but you're not sure where to channel your energy, we've got the answers. Let's dive into today's show.

What is up crew? Y'all, I feel ridiculous. I just made the weirdest mistake ever, and I'm going to tell you about it real quick because there is a lesson about this. So in about eight weeks I'm going to Cabo San Lucas, Mexico to a very high-end prestigious fancy resort with the mastermind that I'm a participant in with my coach. It's called the \$2 million group.

So I just found out that it's going to be out of the country. That it's going to be in Mexico. So I started to kind of semi-panic that I needed to renew my passport like ASAP. When I was 19, I lived in Bali, Indonesia for a few months. So of course, I had a passport at that time, but back then my last name was James not Pike.

Well, it turns out you only have a month or so to update your passport once you have a name change. You have about 30 days. I never did that because I am who I am. You know, I am really great at big picture ideas, but I am really lacking the quality to pull through when it comes to smaller details or anything that involves paperwork. It is like for real a disease. Like I can't.

So I never renewed it in time. So here I am. I'm about to go to Cabo, and I'm feeling pretty stressed that I won't get my passport in time. So I make my passport appointment, and I fill out all the paperwork. It asks me what happened to my old passport, and 'missed the window to change my married name because I suck at paperwork' wasn't an option. The only option was that it was either damaged or lost/stolen. So I chose lost/stolen,

Ep #8: The Cost of a Debt-Free Business

and they sent me a confirmation email that it would become voided and unusable, right?

So I'm getting ready for my passport appointment, and I go to grab my birth certificate out of my safe and guess what I see? I see a passport with my photo with the name Pike on it. I look at the expiration date and it's valid. Listen y'all. I swear I felt like I was in the matrix. My brain couldn't understand what I was seeing. Like I have a valid passport. Not from when I was 19, but a recent one. I have zero recollection of getting a new passport. Zero.

Sidebar, my house just got broken into while I was on vacation. So anything at all that is misplaced my brain thinks it's from the burglars. Like when we run out of bread and I thought that we had more, I'm like, "Ugh, the fucking burglars took our bread. Why would they take the bread?"

So the first thing my brain did when I saw this passport. My brain was like, "Oh my god. Someone snuck into my house and created a valid passport." Then I was like no, that's not true. That can't be right. That doesn't make any sense. So I started flipping through it, and I realize duh. Three years ago, my husband and I went to a yoga retreat in Costa Rica. I remember going to that very well. I just don't remember getting my passport done. I think it was because it was the same day that my daughter broke her arm, and my brain just like deleted everything from that day besides the arm break.

So as you remember, I had voided what I thought was the passport when I was 19. Turns out I voided a valid passport that I desperately need to use right now to get to Cabo. Long story short, I couldn't get the passport voided reversed. So I'm going through the process of getting a whole new passport today. Y'all, I was so caught up in the anxiety of getting a passport in time for Cabo that I voided a valid passport because I wasn't thinking straight.

Here's the lesson before the show even begins. You like how I'm just giving you lessons before the lesson? Okay. Anxiety makes us do stupid things. It

Ep #8: The Cost of a Debt-Free Business

makes us focus on the tiny details and not the big picture, like the passport being in my house.

Okay. Let's get to business. When I was thinking about what I wanted to deliver to you guys this week, I was pretty indecisive. You know when I get on here, I want to deliver badass material. I want you guys to walk away from here being even more awesome entrepreneurs because of this podcast. There's so much to cover.

As I was trying to decide, thankfully I asked my husband to help me. He just said, "Becca, ask yourself a really quality question." I was like yeah, that's always a good start, right? Like what kind of quality question do I want to ask myself? This is the one I chose. I just said to myself, "Becca, what were the main mistakes that you made in the beginning of your business?" This simple question gave me content for weeks for you guys. So I'm going to be dripping those mistakes out to you guys over the course of the next several episodes.

But yeah. I made a lot of mistakes. Things that I am glad I did now looking back because I learned so much, but not glad that I did at the time. These mistakes are why people pay coaches the big bucks to coach them so that they don't have to waste the time, energy, and the money that their coach did when they were trying everything to succeed.

So today we're going to discuss one of the most common mistakes that I hear, a mistake that I made as well as my clients. So I'm going to drop this on you like a bomb. Are you ready? Are you strapped in? Because this might absolutely blow your mind. Here it goes.

The mistake is this. Trying to keep your business debt free when it actually needs money for growth. Keeping your business debt free is not noble nor more respectable nor necessarily more intelligent. If you don't have a huge start up fund like an inheritance or a life savings and your business isn't where you want it to be like it needs help, it needs staffing, it needs education, it needs marketing, right. It needs a coach. Then I can almost

Ep #8: The Cost of a Debt-Free Business

100% guarantee that you're not where you want to be right now in your success because of your aversion to debt.

Did that sting? It might have because it's so right. Listen, I get it. I was a Dave Ramsey girl through and through. I hated debt. When I met my husband, right before we got married, we started going to old Uncle Dave's classes. I was so embarrassed that I hadn't put more effort towards paying off my debts sooner, or that I let them rack up at all. For about five years, we went into straight debt payoff mode. We saved every dollar, and we snowballed our debts, and we had a little cash envelope system that they teach you in those classes. Y'all, we drank the Kool-Aid.

Here's the kicker. I think being debt free is a badass thing to be in your personal life. Going into debt in your personal life in order to keep up with the Jones's is lame. If you're racking up debt for shoes and cars and houses that you can't afford, this is not what I am addressing today. What I am talking about is business debt, which most people have never even separated in their minds from personal debt.

Business debt is significantly different than personal debt. Business debt when spent properly is an accelerator to growth. It can be the reason that you succeed. It can be the catalyst towards wealth. But I truly believe that people in our society have been taught to fear debt so much that they literally get angry when it is even offered as a possibility to take out a credit card for their business.

Like right now. Let me ask you. Check in with your body real quick. Do you have any friction with the idea of debt that you are like clamming as we're talking about it right now? Are you sweating a little? I know I was. I was. Because I had been taught that debt was the devil. Business debt is a tool. It is a leveraging tool and a speed tool.

Debt is as neutral as any tool, a vehicle, a screwdriver. It's not bad. It's not good. It is neutral. The only reason there is emotion around debt is because we were taught to have certain thoughts about debt. Our thoughts may think that it's good or bad or positive or negative, but debt itself is just

Ep #8: The Cost of a Debt-Free Business

a tool. Your business debt is not your personal debt. It is separated in the eyes of the bank and the government.

When you have personal debt, the collateral is your home, your car, that weird stereo system that your ex-boyfriend left in your apartment in 2009, and all the stuff that you won. When you own a business, the collateral is everything the business owns.

This is not something that a lot of my clients understand. Your business is its own entity. It has to gain trust of the bank just like you do as a person to take out loans. If your business were to ever go under, and it won't because you're listening to this podcast. Then if you're set up properly as an LLC or an S-Corp then you won't be taking your personal collateral. Just FYI. Just FYI. Although I do not like personal debt, for me business debt is welcome with open arms when I need it and when that money is going to work for me.

Examples of what I mean. Debt to grow your business. Debt that will pay you back. Things like education and marketing or being able to take on a bigger space so that you can take on more demand or more clients. Being able to take on more staff so that your operation can have more volume of clients. What I am not talking about is going into debt because you want a bunch of plants to decorate your store. I would not consider that money that has a return unless you own a plant store, right?

So we see a fear of debt all the time with the clients who want to hire coaches because they desperately want help growing their businesses, but they don't have the cash. Hiring a coach isn't cheap, and for good reason.

When you find a good coach, like a really good one, one that's reputable, we're talking tens of thousands of dollars per year to work with them. They have made the mistakes, wasted the money, and they've wasted the time themselves so that their clients don't have to, right? It's the absolute fastest way to grow your business. I swear it's like cheating. You're buying the cheat sheets to a test called business.

Ep #8: The Cost of a Debt-Free Business

So we see people time and time again coming in dropping, I don't know, depending on what they buy \$20,000 in a year to work with one of our Hell Yes coaches. Only to turn around and make like \$80,000 to \$100,000 more dollars per year than they would have without a coach. So these people maybe have had an aversion to debt. Most people can't drop \$20,000 in a year, but these people did, and they got that return.

We also see people who come in who want a coach so bad, but they refuse to put it on a credit card because they have so much debt friction. They have been taught that debt is so bad. The things their coach could teach them in two phone calls is going to take them a year to find out on their own. It may even cost them tens of thousands of dollars of mistakes on their own in the first year without someone showing them what to do.

The fear of debt is keeping people in a place of trying to grow their business without the proper education, mentorship, marketing, and tools that they need for growth. It's like trying to water your flowers with only a fourth of the water that your flowers actually want. Will your flowers survive with a fourth of the water? Perhaps. Will they thrive? No. Water your business guys. Your business needs water and sunshine and soil and room for growth and care, right?

When I first hired my coach, this was after Massage Strong was up and running and I was starting Hell Yes Coaching. I had to put her on a credit card, and I hated it. This was before I got rid of my friction to debt. She cost \$10,000. I will never forget when she told me that number, I died inside. I think at the time I had maybe like \$2,000 in the bank, total.

Which by the way guys, this was like three years ago. Two and a half years ago. Isn't that crazy? Two and a half years ago. I'm looking at making like \$750,000 this year in Hell Yes Coaching only. Not even counting Massage Strong. Like shit can change real quick.

All right. So I spent so much time sweating that number and staying up at night because of it. I told myself I could never afford her. I told myself this for six months. Until one day, I finally broke down. Probably something

Ep #8: The Cost of a Debt-Free Business

happened. I don't know. The straw that broke the camel's back. I had made one last mistake, wasted money. I don't know. I decided to hire her.

I knew the whole time that I wanted to hire her, but it took me six months to say yes to myself because of my debt friction. Then we had our first phone call. Within one month, within 30 days, she had given me some simple advice and tweaks for my business, and I made that 10K back the first month. I waited six months to say yes to myself because of fear. In that following year that I worked with her, I went from making 6K per month to 60K per month in coaching in one year.

I am thankful every day that I decided to go for it and put her on the card. I wish I hadn't waited for six months though, but also glad that I did because now I can truly empathize with my clients who are having a seizure when I tell them the price of working with a coach. I get it.

Y'all, debt is borrowing money from your future self. If you believe in yourself and you believe you can be successful, then why wouldn't you bet on you? Why would you not put your money where your mouth is even if it means a little bit of interest? I don't know about you guys, but I would rather pay \$2,000 of interest in order to make \$100,000 five years sooner than I would have had I saved that \$2,000. If you guys are willing to invest in other people's companies like stocks and crypto, why would you not be willing to invest in your own company where you are the leader, right?

Here's another quick example. I'll paint a picture for you. So when I started Massage Strong, it was just me working in one room space, right? I hired two other therapists, and we were all sharing this room. So only one massage could be performed at the time. So we had a ceiling of what we were capable of making and clients we were able to see. Even if we were maxed out, we could still only see about 12 people in a given day total.

I knew we needed to grow into a bigger space, and we had the demand for it. But I didn't necessarily have the money to throw down on a bigger place. I also wanted to be debt free. I knew that with the demand we were seeing, I would regret it if we moved into a new place with only two or three rooms,

Ep #8: The Cost of a Debt-Free Business

right? So even though two or three rooms would fit us for now, I knew that we were growing at a very fast pace. I wanted to have like 25 massage therapists in the next two years. I would hate to be locked in somewhere that I couldn't grow, right?

So we swallowed our pride, and we built our first massage facility. It took us \$80,000 in debt, okay. \$80,000 at the time, and still is, is a massive chunk of change. It was roughly the same price of the home that my husband and my four kids and I were living in at the time. Our tiny one-bedroom home. I couldn't fathom taking out a loan the size of our home loan for my dreams. It was enough for me to literally want to vomit in my mouth.

That 80K would eventually build us our first facility that has eight massage rooms. Each massage room can rotate two massage therapists, one in the morning, one in the afternoon. That is a total of 16 massage therapists in house per day. Each room can see about 12 clients. So that it is technically about 96 clients per day. At least, that was my goal, right.

When we moved in, we only had two massage therapists and me with my big dreams. Here's the thing. If I had inched my way up and was only willing to spend the money that I had in the bank, I would have only been able to afford a two-room space. Because I took out debt, it allowed me to house more massage therapists and clients instantly. I went from having sales of roughly \$2,000 per month to \$30,000 per month almost overnight. Then as our team built more and more, each location sees about \$90,000 per month in sales.

This would have never been possible without the leveraging help of debt. Guys. When I was building my online company, I was thankful that I didn't have a brick and mortar to pay for. But that didn't mean that the startup was free. I think a lot of business owners who start companies online are excited at the idea of a free company with no overhead, but I just never looked at it that way. Maybe that's why Hell Yes Coaching has grown so fast.

Ep #8: The Cost of a Debt-Free Business

I have this idea that starting a company takes a startup price, even if it's online. It varies depending on the industry and the companies, but I don't have to pay for a brick-and-mortar company. So I'll just reinvest that money elsewhere in the company as the startup cost.

I treated it like a brick and mortar. I didn't need to spend 80k on construction fit up, but I did send it on education and marketing and growth instantly. For this online company, I took our debt for two things. Education and marketing. I would also throw in anything that creates more room for customers. So in a non-online company or a brick-and-mortar company, this would be building larger space to accommodate more clients or hiring more people to accommodate more clients.

These are what I believe the top things to focus on when building a business. Education, marketing, and creating more room and space. Whether that's staff of physical space for being able to take on more demand. I cannot say it enough about the education guys. Expand your mind. Go to seminars. Surround yourself with other people building businesses, and for the love of God, get a coach. For real. Get a coach, get a coach, get a coach. I know it seems like I'm saying this because I am a coach. It probably sounds like a sale pitchy. Maybe that's fine, but here's what I know.

Having outside eyes on your company, a third party that has no skin in the game that's going to tell you like it is. They have that helicopter view of your business. They can see the voids and the holes so much easier than you can because you're in the arena and you're fighting, right? They're 30,000 feet above it. They can see what's coming at you.

We have coaches here at Hell Yes Coaching, and we offer free consults. So you can hop on a phone with us to see if we are a good fit for you. Listen, if we're not, we will help you find a good fit. We have a pool of referrals. I have a list of badass business coaches I can send to you. They're going to be in Cabo with me. I know a lot of them. But I urge you to put education at the absolutely top of your list.

Ep #8: The Cost of a Debt-Free Business

The next is marketing. Y'all, marketing. It's so important. You want your customers to feel a certain way when they see your website, your logo, your brand, and your name. You want your company to be an experience for them. Think about Starbucks, okay.

Starbucks has absolutely nailed their marketing. They have figured out how to associate their brand with a feeling. They don't have fancy stores or even fancy cups. Their cups are just white cardboard that they switch up once a year at Christmas, but people flock to Starbucks every single day because through marketing, consumers have been trained to believe that it is a treat, and we deserve it. It's expensive, and it says, "I'm a hard worker that deserves some fuel." It's genius.

It's marketed so well that it's in the hands of almost every clothing model on Pinterest. They are no different than any other coffee shop on the planet, except that they nailed their marketing, and it allows them to grow like crazy. To me, marketing is something worth investing 1,000 times over. Maybe it's because I have a kick ass marketing team, but it seems that it's the magical machine. Every time I put a dollar into the magical Google Ad machine, \$3 gets spit back out.

So guys, quick recap before I leave you all. Number one, ask yourself if it is time to reconsider how you view debt. Have you been running a business on debt morals that align in your personal life, but they're not helping your company grow at the rate that you think it could?

Number two, debt is neutral. It is not good nor bad. It is as neutral as a paper towel or a blanket or your dog's raincoat or your shoes. It has no meaning except the meaning that you give it. You can choose to look at it as a pillow that smothers you in your sleep, or you can look at it like a diving board that launched you into a pool of money that you couldn't access otherwise. You get to choose.

Number three, if you're going to use debt, ask yourself, "A, how can I keep it to a minimum? How can I give it a plan? How can I know exactly where every dollar is going? Am I going to use it as a tool that will make me more

Ep #8: The Cost of a Debt-Free Business

money back? Education, expansion, marketing. These are three great things that will offer you a return, right? I just realized that I gave you an A and not a B. Sorry. There is no B. Just A. Sorry, there is no B. Just A.

Okay. Number four. Your business is a plant that needs sun and water and soil. Most people know that these are the three things that plants need, right? But have never stopped to ask themselves what their businesses needed. As the owner, what they are responsible for providing. In this example, the soil and the water and the sun are parallel to marketing and education and room for growth. Are you holding back any of the necessities out of fear of debt? If you are, don't be surprised if your plant starts looking like piss.

Lastly just to be super clear, I'm not telling you to run off and go into debt ASAP. If your marketing is subpar or you need to expand and you don't have the financial ability to move forward to improve those things, then debt may be your best friend. That is it for me today folks. I will see you here next week on *The Hell Yes Entrepreneur*.

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