



### **“Prioritizing Your Overall Commercial Debt Burden – The Second-Priority Creditors”**

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**W**hen you decide to reduce your overall commercial debt burden, your first step you will take is prioritizing all of your creditors. I have found that it is best to divide your creditors into 3 groups: (1) Top priority creditors, (2) second-priority creditors, and (3) third-priority creditors. In so doing, you can gain a critical insight into your overall debt obligations and in turn make informed decisions about operating your business.

If you decide to take a structured approach to decreasing your debt, you will need to do this also. As you may guess, the number one priority creditors are those you absolutely cannot survive without.

#### **The Second-Priority Creditors**

The number 2 priorities are all the creditors that are critical to your operation such that if your relationship with them is severed, it will disrupt your operation, but the degraded relationship will not cause your company to shut down.

From a business standpoint, you do need these second-priority creditors from time to time, so if you don't settle with them, you will likely be able to survive without doing business with them, at least on a short-term basis.

These are the creditors that you likely don't use on every month; rather, you need them about every three to six months to carry on business. Give these creditors a number 2 priority.

In other words, if you will eventually need to buy some critical material or service from them—but not right away—you can put them lower on the list than the number 1 creditors.



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For the number priority 2 creditors, if you cut their product or service off, it will cause some disruption in your business. Maybe your operation won't run as smoothly, but it will not completely STOP you from operating.