



### **“Watch Out for Personal Guarantees in Your Business”**

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**I**f at all possible, you should stay away from personally guaranteeing any business credit whatsoever.

This may seem obvious to seasoned entrepreneurs, but it is hardly obvious to first-time business owners, and I know this from experience because with one of my first few businesses, I personally guaranteed a credit card, and long after I sold that business to my partner, it came back to haunt me when a payment was late, and I had to expend the time and effort clear it up and remove my name from the account.

Rule of thumb: Remove all personal guarantees from your business as soon as possible.

If you have established a business and it has grown to a point of self-sufficiency, and you have any of these personal guarantees lurking around, you should take every action to remove them.

If you believe you are entering into the area of a business turnaround, you should try to accelerate paying off any personal guarantees that are outstanding. Pay for as much of this as you can with the business because if your turnaround efforts fail, you—personally—will have fewer obligations in the aftermath.

No matter how long ago you made the guarantees, all the creditor has to do is open his or her file cabinet and pull out that contract with your signature on it. Even if you signed a guarantee many years ago, you still guaranteed the credit with your personal name.

What this means is you will have to cover any unpaid expenses from



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your business. If your business falls victim to a bad economy, then you may suffer personally as a result.