

Surety—Avoiding Surety for Company Loans

God's Word warns of the dangers of signing surety, which includes a situation in which a company owner gives a personal guarantee for the company's debt. By refusing to give a personal guarantee for company debt, you will effectively protect your family's assets, such as your home, retirement fund, etc. The objective is *not* to avoid paying your obligations, but rather to limit your risk and the potential negative consequences if something goes wrong. If you do not provide personal guarantees, and if the company does have a bad year, you will be in a much better negotiating position with your bank.

Although financial institutions generally ask for personal guarantees, it is definitely possible to obtain a business bank loan without signing surety. If your company has a lot of debt, it may take a few years for you to convince the lender to release you from your personal guarantee. However, it is possible fundamentally because all things are possible with God, and *it is clearly God's desire that you do not sign surety.*

The following are some practical suggestions to avoid signing surety.

1. Build sufficient retained earnings in your company with the objective of negotiating the release of your personal guarantees.
2. Develop and implement a personal budget in order to minimize your salary from the company so that you are able to build the retained earnings of the company faster.
3. Another option is to obtain equity investors, who generally do not require personal guarantees because the nature of their investment is equity, not a loan. To do this, you will have to give up a portion of the ownership of your business. If your company has significant debt, the use of equity investors is a much safer way to finance your business. Also, when the company has a bad year, equity investors are your partners, who want to help, whereas a bank generally is focused on protecting its position.
4. Frankly, the best option is to develop and implement a plan to reduce and eliminate your company's indebtedness. God warns of the dangers of borrowing (Proverbs 22:7), and every reference to borrowing in the Bible is a negative one. I firmly believe that the God of this universe does not need a bank in order for God to bless a business. Over the past 23 years, I have been blessed by God with the privilege of assisting approximately 200 businesses and families become debt-free both corporately and personally.

Philippians 4:19 states, "And my God will meet all your needs according to his glorious riches in Christ Jesus." Please note that it is God himself who promises to meet our needs—God does not need the bank.