

USING YOUR CREDIT CARD FOR A MARY KAY BUSINESS LOAN

We all know how important it is to have inventory to sell: you make more profit, you have better customer satisfaction and you build a successful reorder business more quickly. But what if you can't or don't want to get a small business loan to cover you initial inventory costs?



You can use a low-interest credit card to act as a business loan. You'll use it STRICTLY for Mary Kay inventory and business expenses and will pay it off over time, the same as any other business loan.

Your product on your shelf is your investment, the same as a real estate or any other investment. When you invest in a business, you're not expected to pay off a business loan right away. There's a payment plan for a period of months or years. The same is true with using a credit card to begin a business. You won't wipe your credit card bill clean right away - but there is a system to pay it off over time.

I'm going to use a hypothetical example here of *partial* inventory, because the rounded numbers are easier to grasp. But keep in mind that your goal is to build up your inventory to full working level. Until you have full inventory, you'll be using your cash from skin care appointments and other sales to put back into your business. When you're at full inventory, you can pay yourself. There's another advantage to starting with full inventory – you can write yourself a paycheck immediately!

EXAMPLE

First of all, visit <http://cgi.money.cnn.com/tools/debtplanner/debtplanner.jsp> for a great online calculator that will show you exactly how much you need to pay each month to completely pay off your loan in whatever timeframe you choose.

Let's say you have \$3000 on a credit card you've spent for Mary Kay wholesale product, Section 2 sales aids and other business supplies. (This would be the equivalent of a Ruby Star order - \$2400 wholesale). Let's also say that the credit card carries a 10% interest rate.

PAYING IT OFF

If you use the online calculator for a \$3000 credit card purchase at 10%, here's what you'll come up with:

Years to fully pay off the loan	Monthly payment	Total interest charges (tax deductible)
Five	\$63.21	\$792.85
Four	\$75.46	\$622.03
Three	\$96.00	\$456.05
Two	\$137.29	\$294.98
One and one half (18 months)	\$178.68	\$216.28
One	\$261.57	\$138.82

HOW DO YOU SPEND THE REST OF YOUR SALES?

After you've used your first sales of the month to pay your credit card bill, the rest of your sales will purchase replenishment product and be your profit. This will allow you always have funds available for product without adding to the initial \$2000 debt.



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Mary Kay recommends setting aside 60% of your sales for product replenishment and 40% for profit and other expenses. The reason you set aside 60% is to give yourself a cushion should you need it, for: customer demand fluctuations, seasonal items, etc. (If you find at the end of 12 months, you don't use that extra 10%, have fun spending it!!)

Let's use the following example: you've sold \$1500 worth of product during a month (with one or two appointments a week, this is a reasonable estimate). You're going to put 60% of that, or \$900, in your product replenishment account. Note: This account should NEVER be used for anything except obtaining inventory from Mary Kay. This account is what allows you to replenish your stock without going into debt. If you use this money for anything besides inventory, you are embezzling from yourself!

Forty percent of the \$1500 in sales, or \$600, is for your profit account. You'll take the first \$171.51 out of that profit account to pay your credit card loan, then the rest is yours to keep.

TAX DEDUCTIONS

Remember that your interest can be tax deductible, and the name of the game is to reduce your taxable income by as much as possible. So it can sometimes be to your advantage (depending on your tax bracket, etc.) to carry interest on a loan for a long time if it reduces your taxable income to a lower bracket. Always consult a tax professional for the most up-to-date and accurate information.

I know none of us likes to see balances on credit cards, mortgages, car loans, etc. But it's how business and the tax code work.

Also remember that recruiting commissions can go straight toward your credit card payment, as well. You don't need to "invest" in recruiting - that's pure profit. Just another reason to build your own Mary Kay team!

GETTING A CREDIT CARD

There are several websites that can get you a credit card instantly, so that you get your inventory quickly. Here are a few that have proven effective for other consultants:

www.instantcreditprovider.com
www.nextcard.com

www.youdecide.com
www.capitalone.com

www.aria.com

The key is to establish good inventory so that you can begin using ALL the products yourself, and have products to supply to your customers.

The quicker you get inventory, the more successful you will be!



“YOU CAN’T SELL FROM AN EMPTY WAGON!”

MARY KAY ASH

So get your wagon filled and enjoy your success!