

Black Financial Leadership Program Lesson #5



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What is bankruptcy?

1.

Bankruptcy is when you can't pay your bills or the payments on your debt

2.

It can be caused by not making enough money to repay the people you owe

3.

This is why too much debt is a bad thing



There are two kinds of bankruptcy



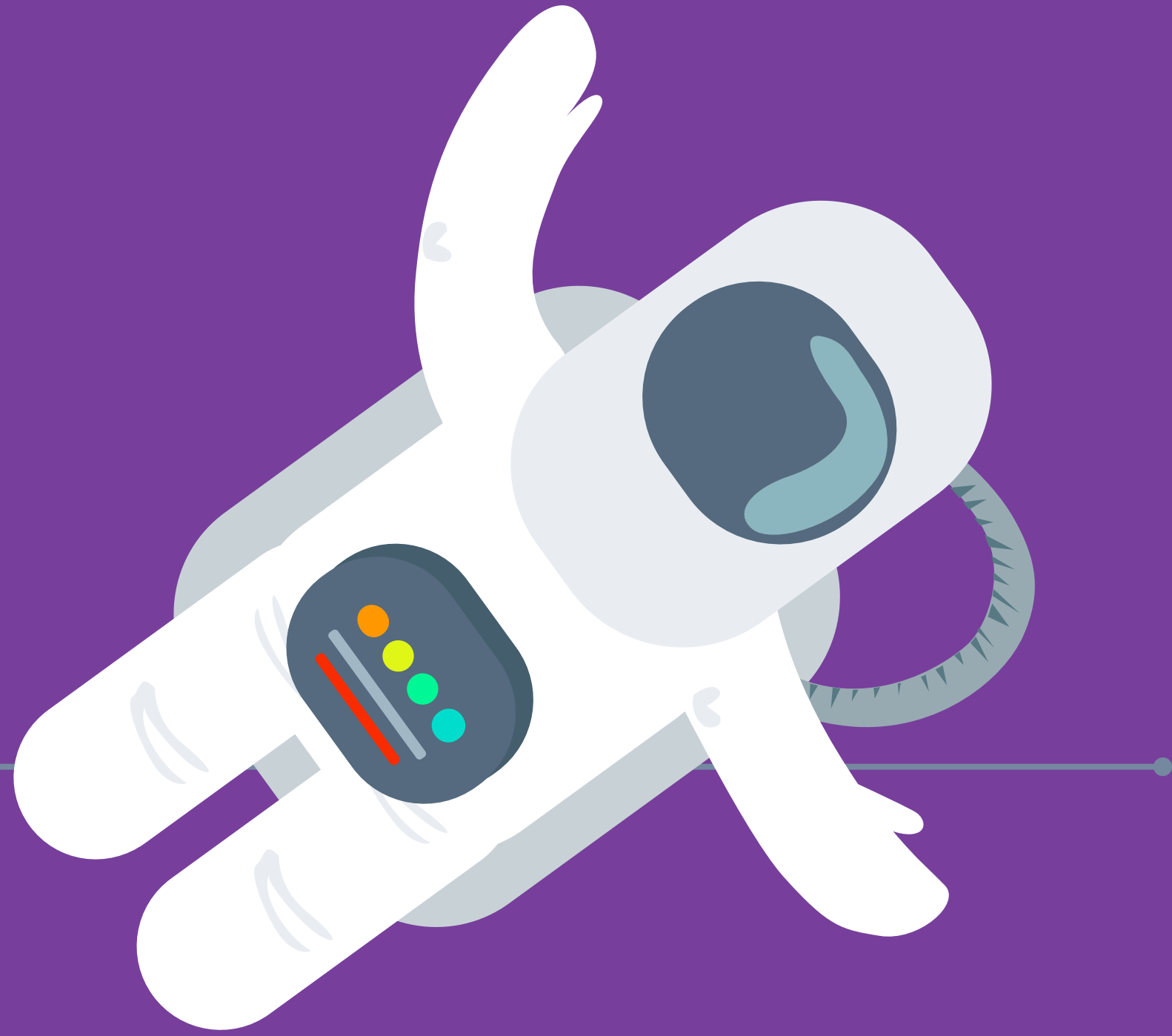
Liquidation

A liquidation – where you must sell most of the property from your business to pay your bills – this form of bankruptcy is known as “Chapter 7”



Reorganization

A reorganization – where you tell the judge that you want to get on a payment plan – this form of bankruptcy is known as “chapter 13” if you are filing as an individual and “chapter 11” if you are filing as a business



If you file for bankruptcy, it hurts your credit score!

- Anything that is put on your credit report stays for 7 years
- But it stays for 10 years if you file for bankruptcy
- You only file for bankruptcy if you are in financial trouble, but you avoid financial trouble by being responsible
- Don't borrow too much money
- Don't spend too much money
- Save your money
- Invest your money

What is insurance?



Insurance

- Insurance is something you buy in case something goes wrong
- Your house could burn down
- You could crash your car
- Someone could die and there would be no one to pay the bills
- Everyone should always have insurance

Here are some types of insurance you definitely need for yourself

Life Insurance

Pays money to your loved ones in case you die

Homeowner's Insurance

Protects your home in case something happens to it

Health Insurance

Pays the doctor in case you get sick and need medical treatment

Car Insurance

Protects you in case something happens to your car

A stylized illustration of a human head in profile, facing right, with a large white brain area. The brain is filled with various colorful icons representing different fields of study: science (flasks, microscope, atom, rocket), mathematics (gears, ruler, graph, compass), music (musical notes, piano), art (paint palette, pencil), and general education (books, ABC, globe, heart).

Disability Insurance

Umbrella Insurance

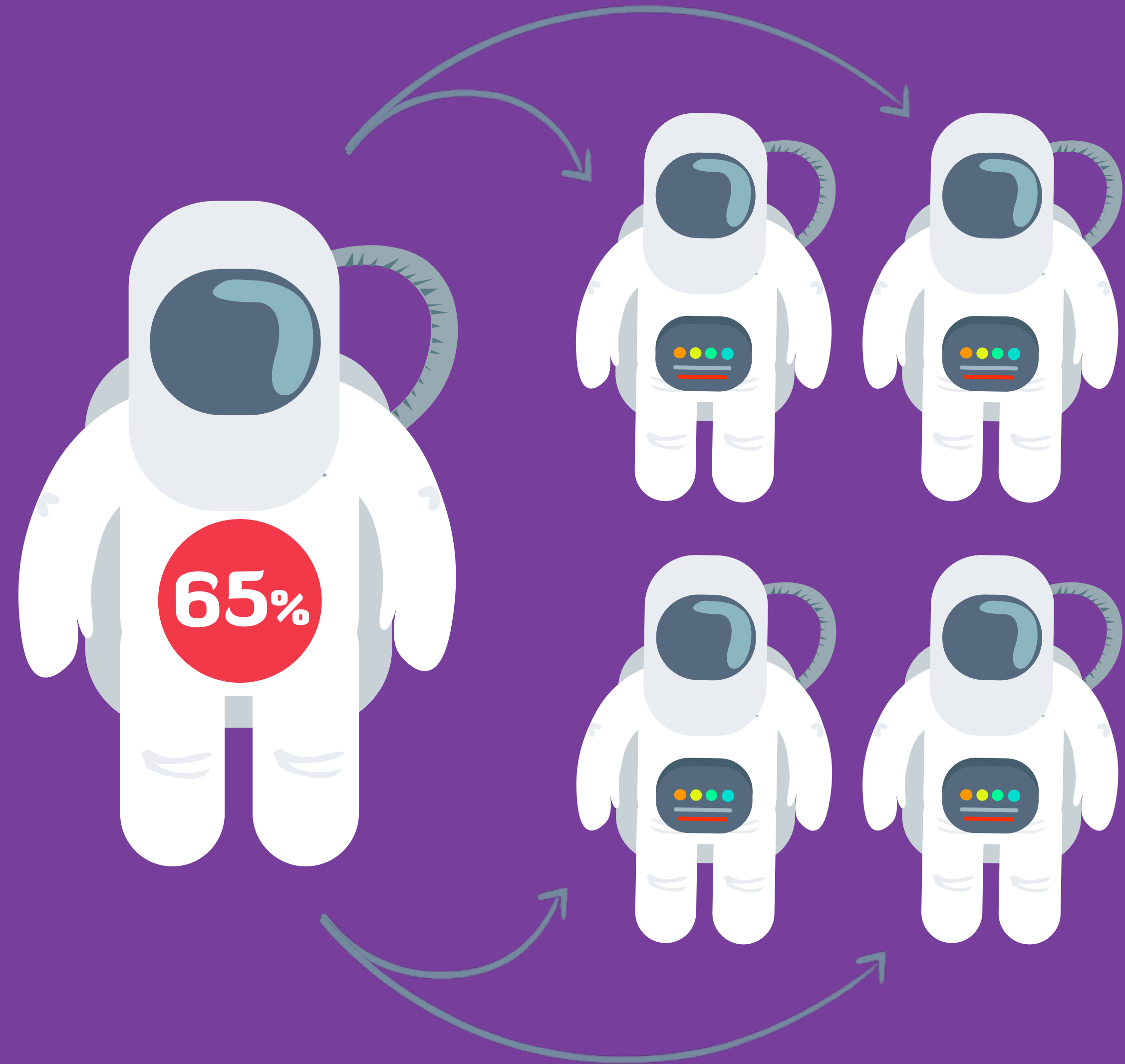
How to protect your business



- When you start making money, people may want to sue you and take it!
- You must protect yourself
- Every good business owner has a few things in place to protect them

Hire these people when you have a business

- A good accountant to keep up with your money and make sure you don't get in trouble with the IRS
- A good lawyer or at least subscribe to a service like Rocket Lawyer so you can make contracts, file lawsuits and protect yourself



Here are some types of insurance you'll want for your business



- *Professional liability insurance* – if you make a mistake, someone can sue you and take everything
- *Property insurance* – protects the property you own in case it is destroyed for some reason – earthquakes and floods are not usually covered
- *Worker's compensation insurance* – in case your employees get hurt on the job. If someone slips and hurts themselves, you may end up paying millions of dollars

More insurance for your business

- Product liability insurance –
 - in case your product hurts someone, like they drink something you made and it makes them sick
- Vehicle Insurance –
 - If your employees are driving vehicles, you want to protect yourself
- Business Interruption Insurance –
 - if something horrible happens and you can't do business, you want to be protected financially





**What have you learned
in this course?**

1. The six Ps of being successful in business
2. The difference between being a producer and a consumer
3. What it means to be an investor
4. The difference between good and bad debt
5. Capital vs consumption
6. How credit scores work
7. The definition of financial assets
8. How taxes work in America
9. Ways to market your business
10. How bankruptcy works and ways to avoid it
11. Insurance you want for yourself and your business

Go out there and do it!



Never give up!

Always do your best!

Always believe in
yourself, even if you
make a mistake, keep
trying!

What's next?

If you do all of
these things.....

You'll be a winner!

