

## **To Borrow or Not To Borrow, That is the Question!**

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Deirdre's Lemonade Stand faces a dilemma - whether or not to borrow \$100. The problem is, on really sunny days, I run out of lemonade and I'm forced to turn customers away. I could get a loan to buy an electric juice extractor, increase productivity, and sell more lemonade. That sounds easy, but the decision to borrow is not simple and deserves careful consideration.

Firstly, I should research the juicer and determine how much it will increase productivity. Then, I have to ask if I need more lemons and sugar to get the best value out of the new investment. Will the loan amount cover any additional costs? What repayment terms will work, so that I can service the debt confidently? It would probably be better to pay off my loan and interest after the summer, instead of weekly, as one dismal weather week could make it a terrible idea to have borrowed.

Next, I need to consider the opportunity cost, how not borrowing the money might also hurt my business. If I don't increase my supply of lemonade, then, I will not increase my sales and profit. It's important to be aware that the ripple effect of my potential, short term loss could have significant, long-term implications for my business. Maybe my customers will go somewhere else permanently. However, I need to be mindful, that, what happens in the future is hard to predict; the potential loss factor is speculative.

In the end, I'll make an informed decision to borrow money, if it's to be used on a sound investment. Borrowing is good when I have calculated that I can safely repay the loan and make even more profit. After all, money makes money, and that's what it's all about. Now, I'm ready to call the bank!