

# Understanding your unique business needs

Care Lending Group's loans enable advisors to focus on their businesses

By **GEOFF KIRBYSON**

**F**inancial advisors looking to scale up their business should look for a lender that understands the unique nature of buying a book so they can increase the likelihood of maximizing their future success.

Tom de Larzac, director of advisor finance at Care Lending Group, a southern Ontario-based financing company, believes such loans should be based on a business's cash flow, its ability to service the debt and strong historical performance trends, rather than a focus on limited assets and shorter amortization periods that prioritize lenders being repaid as quickly as possible.

"Our structure is different than most in the industry. We can provide longer amortizations, typically 10 years, and we can base it on adjusted earnings or adjusted cashflow," he says.



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- Tom de Larzac, director of advisor finance at Care Lending Group

"This allows advisors to really focus on their business. We say, 'you run it, focus on the transition and make it profitable.' We're comfortable having debt be there for a longer period of time."

While CLG gravitates towards cash flow lending, other lenders, including banks and credit unions, are more focused on assets and what could be sold off if the business was to default.

"The banks don't really have a lot of experience in this space. As far as financing transactions for independent or external advisors, they don't do that on a regular basis because the model doesn't really work for them. Their ability to sell the business if they need to isn't as straightforward as they'd like it to be," he says.

CLG looks first and foremost at commercial viability, including where commissions are coming from, how they're generated and what the recurring revenues are.

With 35 employees who do hundreds of millions of dollars in deals every year, de Larzac says his team provides clients with customized advice to fit virtually any possible situation.

"We've seen more transactions than any advisor is ever going to see themselves. We can provide guidance whether transactions make sense and put them into context with the performance of the business," he says.

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If an advisor does go to a bank for financing, they should expect to be asked about what can secure the loan other than the business, such as their house, other real estate and even their investment portfolio.

"The banks don't ask 'is the business profitable or why is it profitable?' Many lenders don't understand the nuances of this business sector and why it's secure. We take a business-first approach. We make sure the business can support the debt and that the business is viable and that's what we base our lending structure on. Advisors appreciate that we come to the table understanding what their business is all about," he says.

The financial services sector isn't the only industry in which CLG specializes. It also has expertise in healthcare, condominiums and the golf business. While the four might seem unrelated at first blush, they have similar cash flow models, historically-low default levels and are all relationship-driven sectors where trust and long-term partnerships matter. All four also have strong and unique growth potential, too.

"Clients don't have to explain their business to us. We understand financial advisory, insurance, golf and the condo business. It allows us to get to the heart of the transaction much faster and determine whether the deal makes sense," de Larzac says. ■

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