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Another Look at Factoring

By Fred Leder

In many instances a business or healthcare provider is looking to improve cash flow and is presented with the option of factoring. Unfortunately, a discussion of the cost involved may scare off the prospect. It is with this in mind that we examine the true nature of what factoring is and how to look at it with a new approach.

When the discussion with your prospect gets to the pricing or cost of this type of finance it would be best to reflect the cost as a percentage of the claim's value or invoice's value. As an example one might say that factoring will cost about 3% to 5% of the value of your A/R depending on the payment profile of you payors. Following up, one then should reflect that bank products are not an option and that the only other option would be an equity partner to provide the cash needed to run the business. The logical question therefore will be; if not factoring, what will an equity partners cost you? Even if the equity partner wants only 10% of the business, that is a 10% piece of your bottom line for the life of the business. Factoring will cost about ½ of that percentage and the expense will last only for the length of the factoring agreement (2, 3 or 4 years). In essence, factoring is a partnership only lasting for the length of the factoring contract and then the client has his/her business back 100%.

In the movie "The Dead Poets Society," Robin Williams as the teacher (Mr. Keating) asks his students to stand up on their desks and look around. One might ask why. Mr. Keating explains that in life we should always see thing from different positions and never approach something from only one point of view. Doing this in everything you encounter makes every situation unique and every solution specific to the needs of that issue. Try it; you will see those things that you thought you knew...but you will see them in a fresh new dimension (be careful on the table or chair).



They say golf is like life, but don't believe them, golf is more complicated than that.

Gardner Dickinson



Top 10 New Years resolutions for 2015

1. Lose Weight
2. Getting Organized
3. Spend Less, Save More
4. Enjoy Life to the Fullest
5. Staying Fit and Healthy
6. Learn Something Exciting
7. Quit Smoking
8. Help Others in Their Dreams
9. Fall in Love
10. Spend More Time with Family

Percent of Americans who usually make New Year's Resolutions 45%

Percent who never succeed and fail on their resolution each year 24%