

SBL TRAINING FOR ADVISORS

This advisor guidebook provides comprehensive insights into Securities-Based Lending (SBL) for advisors. Explore key concepts, client strategies, and interactive exercises.

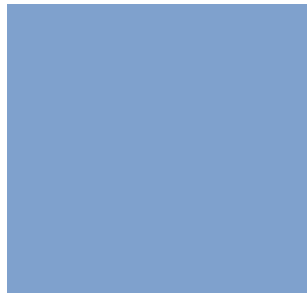


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Level 1: Beginner

What is Securities-Based Lending (SBL)?

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Securities-Based Lending (SBL) is a financing option that allows clients to borrow against the value of their taxable investment portfolio without liquidating assets. By using securities as collateral, clients can unlock liquidity for personal or business purposes while keeping their long-term investments intact.

How It Works

Structure

A securities-based line of credit (SBL) is typically structured as an open-ended line of credit. Once it is established, a client can draw and repay in perpetuity and it will not be closed until the client explicitly requests closing the line. Most lenders do not report these lines to credit agencies and there are typically no origination costs or ongoing fees aside from any interest generated by outstanding balances.

Advance Rate

Clients can borrow a percentage of the market value of their taxable investment portfolio, based on what's known as the advance rate. Advance rates vary by asset class—commonly around 60% for equities, 70% for corporate bonds, and up to 90% for U.S. Treasuries—resulting in a conservative borrowing range of 60% to 80% of the taxable portfolio. Retirement assets are excluded, and not all taxable assets qualify as collateral. Eligibility depends on the lender's criteria, including asset type, liquidity, and potential restrictions related to position size or concentration.

Interest Rates

Securities-based lending (SBL) typically offers lower interest rates than unsecured loans because the investment portfolio serves as collateral, reducing risk for the lender. Most SBLs are floating-rate lines of credit tied to an index like Prime or SOFR, with an added spread based on the client's approved borrowing capacity—not the amount actually drawn. For example, a lender might offer SOFR + 4% for lines between \$100,000 and \$500,000, and SOFR + 3.5% for lines above \$500,000. A client approved for a \$600,000 line but using only \$50,000 would still receive the more favorable SOFR + 3.5% rate.

Market Fluctuations

The value of an SBL is directly tied to the market value of the pledged securities, meaning borrowing capacity can fluctuate with market movements. If the portfolio value declines, clients may not be able to access the full approved line. In cases where there's an outstanding balance and collateral drops significantly, the lender may require the client to add collateral, pay down the loan, or sell securities to restore coverage. Advisors should help clients understand how market volatility can impact available credit and encourage maintaining a buffer to reduce the risk of forced action.

Key Advantages for Advisors

- Advisors can help clients access liquidity without disrupting their portfolios or selling assets.
- Advisors retain client relationships and can manage portfolios without the pressure of immediate liquidation needs.
- SBL is usually very easy to establish and cost free. Even clients without an immediate need can benefit from having a line open should an emergency arise.

Now that you understand the basics of how SBL works, it's time to apply this knowledge to a real-world scenario.

Interactive Exercise

Imagine one of your clients, Jane, has a \$2.5M portfolio made up of stocks and bonds. She needs \$400,000 for an upcoming business opportunity but is hesitant to sell securities due to potential tax implications. She's open to exploring SBL as a solution.

Exercise

1 Calculate the Loan-to-Value (LTV)

If \$500,000 of Jane's portfolio is held in a retirement account (and therefore excluded), and the remaining \$2,000,000 is split evenly between stocks and bonds, with a credit policy of 60% advance for stocks and 80% for bonds, what is her estimated line of credit?

Answer: \$1,400,000

Exercise

2 Other Considerations

While the estimate suggests that Jane can borrow \$400,000 comfortably, actual eligibility depends on the specific holdings in her portfolio. For example:

- Are any bonds below investment grade?
- Do any stocks trade under \$5 per share?
- Is there a heavy concentration in one position?

These factors can reduce the usable value of the portfolio. It's always best to get a formal estimate from the lender to ensure your recommendation is accurate. Many SBL platforms can generate these estimates automatically.

3 Benefits of the Loan

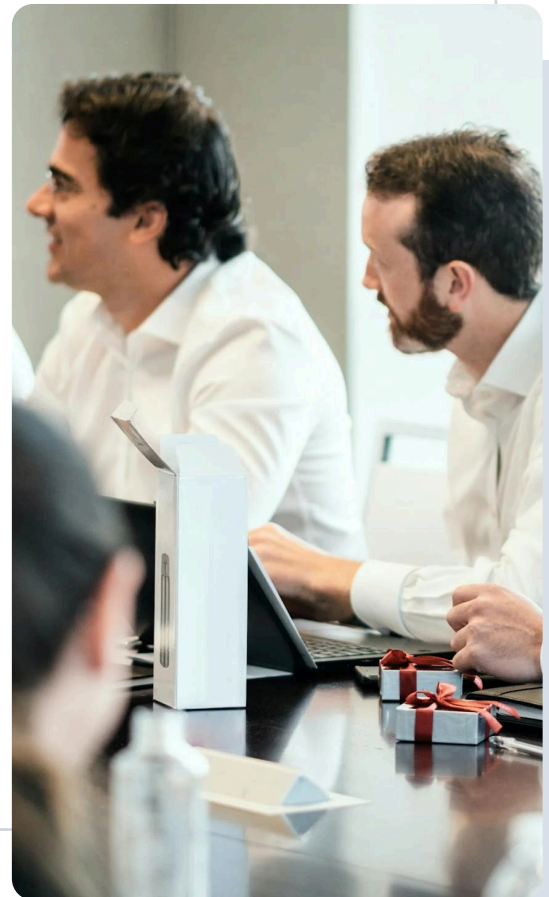
How would you explain the value of SBL to Jane in her situation?

- Access to liquidity without selling investments
- Ability to retain her investment strategy and stay fully invested
- Fast access to funds compared to traditional loans
- Tax deferral by avoiding capital gains

4 Risks of the Loan

What should you highlight about potential risks?

- Market volatility may reduce borrowing capacity
- A drop in asset value could trigger a collateral call
- Interest accrues on the loan



Level 1: Beginner

Identifying Suitable Clients for SBL

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Key Considerations

Portfolio Requirements

Clients must have a **diversified portfolio** that includes stocks, bonds, or mutual funds. This portfolio must be **sizable** enough to support an SBL while maintaining the **stability** necessary to avoid collateral calls during market fluctuations.

Client Goals

SBL is particularly beneficial for clients seeking liquidity for major purchases—such as a home, a business, or even tax payments—without needing to liquidate their investments. Understanding the client’s financial goals allows advisors to position SBL as a strategic alternative to selling assets, which might otherwise have tax consequences or disrupt long-term wealth accumulation.

Client Risk Tolerance

One of the most important factors is determining whether the client is comfortable with the potential risks of market volatility. Because the loan is secured by the portfolio, any decline in the value of the collateral could trigger a collateral call, requiring the client to deposit additional funds or sell some of their securities. Advisors should assess the client’s comfort with risk before recommending SBL, ensuring they can withstand any potential market fluctuations.



Client Profile Examples

High-Net-Worth Clients

Clients with substantial assets who are seeking liquidity for a specific need—like purchasing real estate, paying large tax bills, or expanding a business—may be prime candidates for SBL. Advisors can position SBL as a strategic liquidity tool without the drawbacks of liquidating long-term investments.

Appreciated Stock Holders

Clients holding highly appreciated stocks may not want to sell due to the potential tax implications. With SBL, these clients can unlock liquidity while maintaining their positions in stocks that may continue to grow. Advisors can use this opportunity to ensure clients retain wealth while still addressing immediate financial needs.

How Advisors Use SBL to Support Client Goals

Explore our most common SBL use cases and client scenarios to learn how advisors are helping clients unlock liquidity without disrupting their portfolios.

[Download Use Cases](#)



Now that you understand the key factors for identifying potential SBL clients, let's apply this to your own book of business.



Interactive Exercise

Using the checklist below, review your current client book and identify those who may benefit from SBL.

Checklist

■ **Does the client have a diversified and sizable portfolio?**

What percentage is in liquid assets (stocks, bonds, mutual funds)?

■ **Does the client have upcoming liquidity needs?**

Are there any major purchases, tax payments, or business expenses on the horizon?

■ **Does the client hold highly appreciated assets?**

Are they hesitant to sell due to capital gains taxes or the desire to stay invested?

■ **Does the client have a suitable risk tolerance?**

Are they comfortable with market volatility and the possibility of a collateral call?

■ **Prioritize Clients:**

Based on your answers, create a priority list of clients who would most benefit from an SBL. Think about the potential liquidity needs they may encounter, and how SBL could be positioned as part of their broader financial strategy.



For the top clients on your list, consider how you would communicate SBL as a solution. Write out key talking points for each client type. For instance, how would you position SBL to clients who are looking to purchase real estate, or those who want liquidity but don't want to sell stocks due to tax implications?

Level 1: Beginner

SBL vs. Other Lending Alternatives

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SBL vs. Margin

SBL and Margin both offer lines of credit backed by taxable investment assets, but they serve different purposes. Knowing when to use each is essential for making the right recommendation.

1 Purpose and Use

a Margin loans are primarily used for purchasing additional securities, typically for investment purposes. This is called purpose lending. SBL is used for non-purpose lending, which is everything else. Margin can be offered for non-purpose lending but it must comply with all Regulation T guidelines including limiting the advance rate to 50%.








b Margin can also be used for general liquidity like SBL, it is not required to only be used for purpose lending. However margin is much less flexible than SBL (see chart next page).

c Margin accounts are not underwritten—they're typically enabled as a feature during account opening. SBL, on the other hand, is a formal bank loan and goes through a lightweight underwriting process. That process is much simpler than traditional lending since the loan is fully collateralized by securities.

Securities-Based Lending (SBL)

vs

Margin

Reg U: Higher advance rates, more liquidity	 Regulation	Reg T: Advance rates limited to 50%
Based on facility size, generally less expensive	 Pricing	Based on drawn balance, usually higher cost
Lending allowed on external managers	 External Asset Managers	Not typically offered due to control agreement complexities
Multiple accounts can be pledged for one line of credit	 Collateral Accounts	Typically only one collateral account can be pledged per LOC
Flexible titling, e.g., personal assets for business LOC	 LOC Titling Flexibility	LOC must match the collateral account's titling
3rd party pledgors allowed, e.g., family pledging for potential tax advantages	 3rd Party Pledging	Not allowed
Can be used to support letters of credit	 Letters of Credit	Not typically used for letters of credit

2 Risk Considerations

a Margin loans generally don't limit concentration in a single security. For example, a \$1 million position in one stock could allow \$500,000 in margin. SBL, by contrast, may cap the amount of any single security used as collateral—possibly limiting that same line to \$300,000. This helps reduce the risk of a collateral call if the value drops. Note: Even with margin, large or thinly traded positions may still face concentration limits.

b SBL offers more flexibility in resolving collateral calls. Clients can choose to add collateral, pay down the loan, or sell assets—and often have input on timing. Margin calls, on the other hand, have strict timeframes. Even if the market rebounds quickly, the full margin call still must be met.

SBL vs. Home Equity Lines of Credit (HELOC)

Both SBL and HELOCs have a similar construction, but with a HELOC the collateral supporting the line of credit is the equity in a real estate property, usually a primary home.

1 Speed and Process

a

SBL generally offers faster approval because the borrower's income is not considered during underwriting. No appraisal is required, as the value of the investments is easily determined and ownership is already verified. In some cases, SBLs can be approved the same day—typically within 24 to 48 hours.

b

HELOCs usually require a more involved process, including a home appraisal, credit checks, title verification, and other qualifications. As a result, approval can take 30 days or longer.

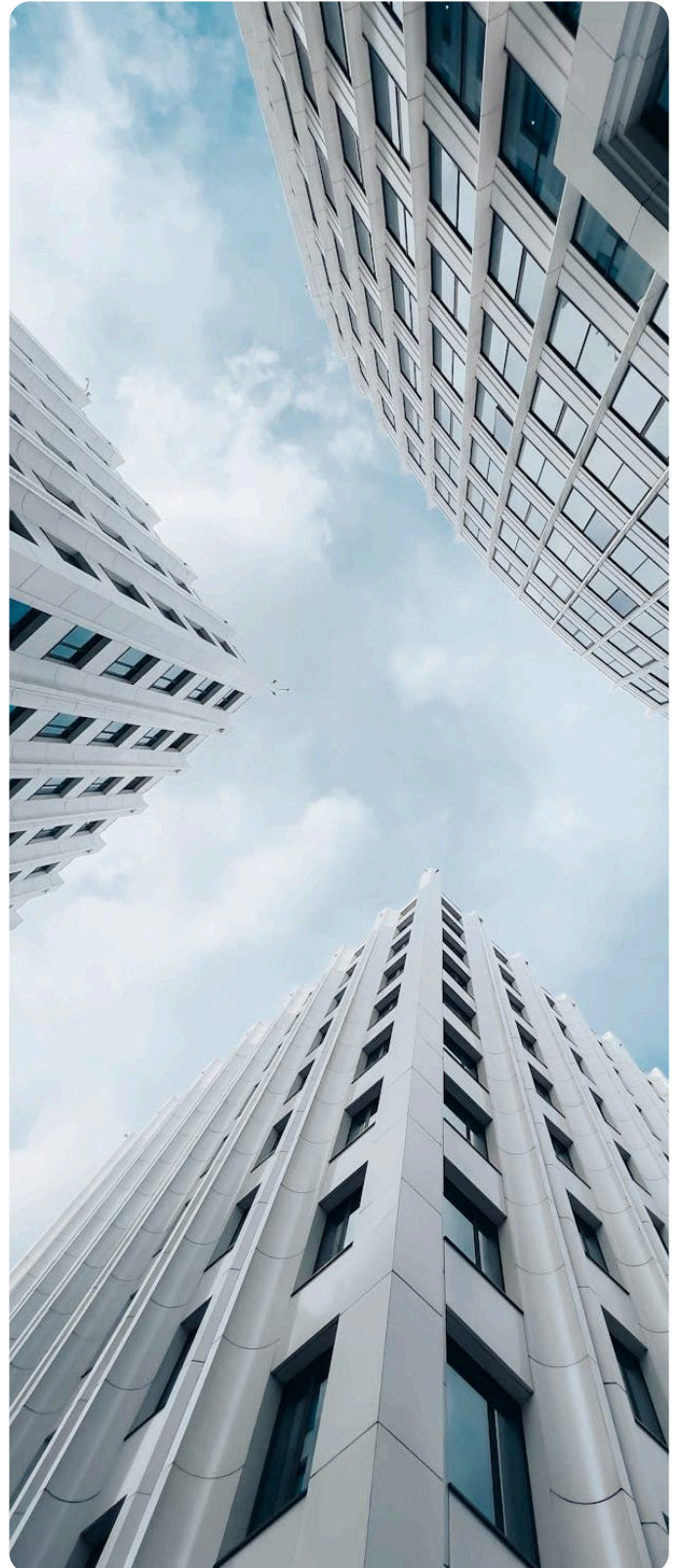
2 Documentation

a

SBLs require no supporting documentation, and the loan application process involves significantly less paperwork.

b

HELOCs generally require verification of assets, income, and employment, resulting in a much more extensive application and documentation process.



3 Collateral Calls

a With SBL, if the value of the investments supporting the line of credit fall too low, the bank can require the borrower add collateral, pay down the loan, or sell the assets.

b Lenders do not reassess the value of the property supporting the HELOC after the initial underwriting. If home values in a region drop significantly, access to the line may be frozen—but lenders generally won't demand repayment or sale unless the borrower defaults.

4 Interest Rates

a SBL interest rates are based on size. Larger lines tend to have significantly lower rates than HELOCs, though smaller SBLs may be priced higher.

b HELOC rates are determined by the loan-to-value (LTV) ratio and the borrower's credit profile. The most competitive HELOCs may offer lower rates than the least favorable SBLs.

5 Term

a SBL is an evergreen line of credit. Clients can draw and repay at any time and keep the line open indefinitely, as long as it remains in good standing.

b HELOCs have a definitive time frame where a client can draw and repay, usually 10 years. After 10 years, the ability to draw again is withdrawn and any remaining outstanding balance will be amortized over a defined period, typically 20 years.



 **Why It's Beneficial for Advisors**

■ **Diversified Lending Solutions**

Understanding the different types of lending options available helps advisors position SBL as a versatile solution that can meet a variety of client needs without triggering the potential tax consequences of liquidating investments. The more liquidity options you have in place, the more comprehensive your advice can be on solving client needs and generating better client outcomes.



■ **Client Education**

Advisors who can differentiate between SBL, margin loans, and HELOCs are able to provide clients with tailored advice that aligns with their financial goals, ultimately strengthening relationships and fostering trust.

■ **Increased Value to Clients**

With knowledge of different lending products, advisors can match clients with the most suitable loan options, providing the greatest opportunity for success while avoiding unnecessary risk. Advisors can more effectively manage investments when they understand debt and liquidity needs as well.



Now that you have an understanding of how SBL compares with other lending options, let's put your knowledge into practice.

Exercise

1 Create a Comparison Table

Using the following categories—**Speed, Interest Rates, Collateral, and Risk**—compare **SBL, Margin Loans, and HELOCs**. Use a simple table to visually contrast the **pros and cons** of each lending option.

Table Format Example

Product	Speed	Ease	Best Uses
SBL	24-48 hours	Very easy underwriting	General Liquidity, bridge financing, emergency
Margin	Same day	No underwriting	Purpose lending, overdraft protection
HELOC	30 days	Detailed underwriting	General Liquidity (rate may or may not be lower than SBL)



2 Client Scenario Application

Think about a client who is considering borrowing for a major purchase (e.g., real estate). Create a short scenario for each lending option (SBL, Margin Loan, HELOC) and describe how you would position each option to the client based on their **specific needs** and **goals**.

Example



John

A high-net-worth individual

He needs \$500,000 to buy a vacation home but doesn't want to sell his securities.

He has three options ↓

SBL

A strong option, as John can borrow against his existing portfolio without selling. The interest rate may be competitive, and it can be opened very quickly and easily.

Margin Loan

Less ideal because it is probably more expensive than other options and has a lower advance rate than SBL.

HELOC

John may be able to tap into his home equity, but it may not get approved fast enough and will be a much greater effort getting the application submitted.

After completing the table and applying these options to client scenarios, reflect on how each option fits with your client's financial situation and goals. Which product best aligns with their needs, and how can you present these options in an informed and tailored way? Why is it important to have all of these in place before a liquidity need arises?

Level 1: Beginner

The Role of Collateral in SBL

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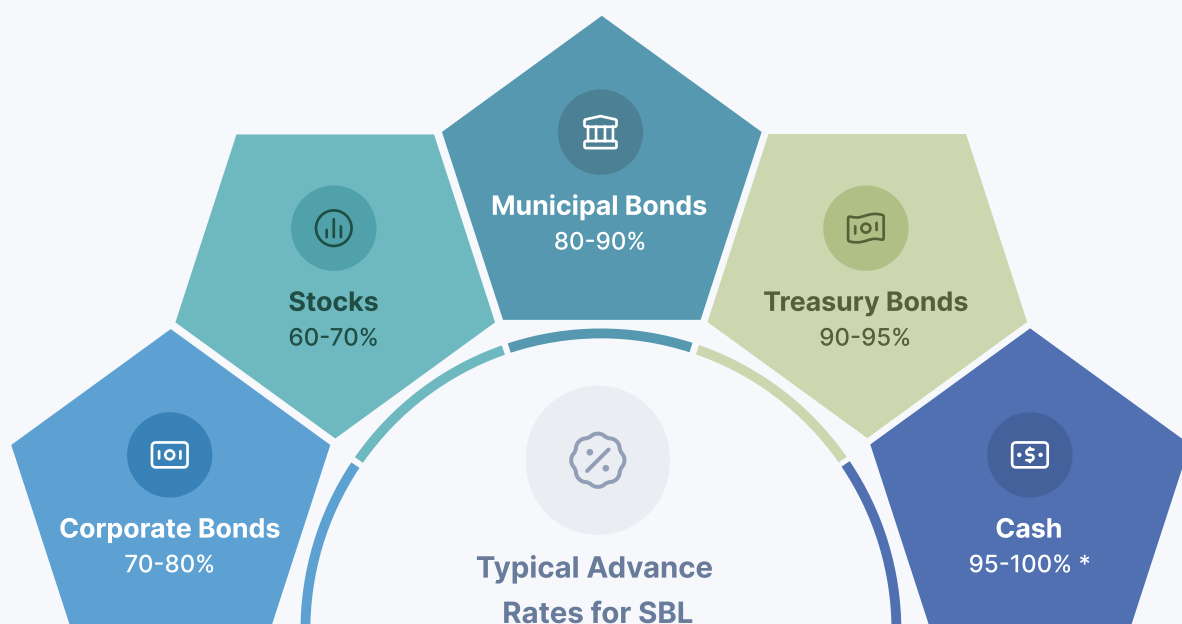
What Can Be Used as Collateral?

Eligible Assets

- Securities like **stocks, bonds, mutual funds**, and **ETFs** are commonly used as collateral for SBLs.
- Less liquid securities like private equity shares and hedge funds may be used at the discretion of the lender but usually at a much lower advance rate.

Quality of Collateral

- **Higher-quality bonds** (e.g., **government bonds**, investment grade corporate bonds) tend to offer **higher advance rates** due to their **stability** and **low volatility**. Junk bonds, or bonds issued by less creditworthy entities, may get a smaller advance rate or be excluded altogether.
- **Riskier securities** with low trading volume or highly volatile **sector-specific investments** may have **lower LTV ratios** or be excluded from collateral eligibility.
- Concentrated positions may receive a haircut to protect the lender from overexposure.



*Some firms exclude cash from pledging due to money movement features of the account.

Market Impact on Collateral

Market Fluctuations

- The value of collateral in an SBL is directly tied to the market value of the securities, which can fluctuate with market conditions.
- **Collateral Calls:** If the value of the pledged securities falls below the lender's required threshold, the client must either add more securities or cash to bring the loan back into compliance.



Examples

Approved Amount Reduced Due to Collateral Value Drop

A client is approved for a \$1MM line of credit based on \$1.3MM in taxable assets. The client does not draw at the time of approval.

1

Several months later, the client requests the full \$1MM. However, the collateral value has dropped to \$1.2MM.

As a result, even though the line was approved at \$1MM, the client can now only draw approximately \$920,000.

Examples

Buffer Prevents Collateral Call

A client is approved for a \$1MM line of credit based on \$1.3MM in taxable assets and immediately draws the full amount for a real estate transaction.

2

The next week, the collateral value drops slightly to \$1.25MM. Based on current advance rates, the new availability would be \$990,000. Does the client get a collateral call?

No. The bank has a 10% buffer built into its policy. The collateral would have to drop further—below the minimum equity threshold—before any action is required.

Responding to a Collateral Call

The same client draws \$1MM to fund a real estate purchase.

A significant market decline pushes the portfolio below the lender's minimum equity policy.

3

To resolve the collateral call, the client has several options:

- Pay down the balance using funds from another account
- Add more eligible collateral
- Reinvest into assets with higher advance rates
- Sell a portion of the portfolio to reduce the loan balance





Advisor's Role

Educate Clients on Risk

Ensure clients understand the impact of market downturns and the importance of maintaining diversified collateral to help mitigate potential calls.

Know the Lender's Policy Details

Be familiar with how advance rates, approval amounts, available credit, and minimum equity requirements work—and how they respond to market changes.

Guide Rebalancing Strategy

Be ready to advise clients on monitoring their portfolio and making adjustments to avoid collateral calls during periods of volatility.

Monitor Draw Levels

Keep an eye on lines drawn above 50% and proactively discuss what may happen if asset values decline, so clients are never caught off guard.



Why It's Beneficial for Advisors

Understanding Collateral

Knowing how different asset types impact loan-to-value (LTV) ratios helps advisors assess borrowing risk and educate clients on how their portfolio affects SBL dynamics.

Risk Mitigation

Educating clients on how market changes can trigger collateral calls enables advisors to set expectations and recommend strategies that strengthen financial resilience.

Strategic Positioning

With insight into how collateral value fluctuates, advisors can recommend the right mix of assets—balancing access to liquidity with reduced risk of calls—to optimize client borrowing capacity.



To solidify your understanding of how collateral works in SBL—and how market fluctuations can impact a client’s borrowing power—let’s walk through a quick example:

Exercise

1 Calculate the Borrowing Capacity

Consider the following example:

Securities in the Portfolio

A mix of **blue-chip stocks**, **government bonds**, and **high-growth tech stocks**.

Client Portfolio Value

\$1,000,000

Loan-to-Value Ratios (LTV)

Blue-chip stocks
70% LTV

Government bonds
75% LTV

Tech stocks
50% LTV

Calculate how much your client could borrow in total using the LTV ratios for each asset class.

Total Borrowing Capacity

Add up the values from each category to determine the total borrowing capacity.



2 Impact of a Market Downturn

Now, let's see what happens if the value of the portfolio drops by 20% in a market downturn. How will this affect the loan-to-value ratio and the collateral value?

Scenario

The total portfolio value drops from \$1,000,000 to \$800,000.

Recalculate the borrowing capacity and see if the LTVs change based on the new market value

Revised Total Borrowing Capacity

Add up the new amounts to determine the new borrowing capacity.

Consider how the portfolio drop impacts the client and discuss:

- Collateral calls if the total collateral value falls below the required loan maintenance value.
- How this could impact your client's strategy.
- Recommendations you would make to help the client manage or reduce this risk.



Level 1: Beginner

How Interest Rates are Structured

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1 Interest Rates vs. Unsecured Loans

- Securities-based lending (SBL) typically offers lower interest rates than unsecured loans because the collateral (client's investment portfolio) reduces the lender's risk.

Not only are these loans covered by well over 100% collateral (compared to a typical mortgage that only requires 20% down), but the collateral can also be valued in real time and liquidated almost instantly at low cost. In contrast, other assets—like real estate—can take months to sell and often require high commission fees and appraisals.

- SBL presents less risk to the lender, allowing for more favorable borrowing terms and considerably faster and easier approval.

2 Factors Influencing Rates

Type of Collateral

Interest rates can vary based on the quality, liquidity, and volatility of the securities used. For example, government bonds often qualify for lower rates, while high-risk tech stocks or illiquid assets like private equity may result in higher rates due to increased risk.

Loan Size

Larger loan amounts may qualify for lower interest rates due to economies of scale for the lender and relationship pricing. The underlying assets are generating revenue.

- SBL can be an excellent asset consolidation tool for financial advisors. If clients have other assets, bringing them over to get a better rate on the line of credit can be very persuasive.

Borrower's Credit Profile

Lenders may adjust interest rates based on the client's creditworthiness, although in SBL, the collateral and loan size usually play a bigger role.

- Very often, even though the rates are higher, severely credit-challenged clients are interested as SBL may be the best or only liquidity option that they have.

Loan Terms and Repayment

Interest-Only Structure

Interest-only loans are predominant in SBLs, where the borrower only makes interest payments until the loan matures or is closed. The principal might not be paid down during the life of the loan, allowing for easier cash flow management.

Capitalization and Roll

Some lenders allow interest to be capitalized—or "cap and roll"—which means no payments are required as long as there's still available capacity in the line.

Example: A client with a \$1MM SBL and an \$800,000 balance wouldn't need to make payments until the accrued interest pushes the balance to the limit.

Liquidity Management Benefits

This structure is highly beneficial for liquidity management, as it allows clients to access capital without immediately disrupting their financial strategy.

Example

A client runs a Christmas tree nursery.

- Most of her sales occur in November and December, while her expenses take place throughout the year in preparation for the holiday rush.
- By utilizing an interest-only loan, she can delay payments until January when her income from holiday sales becomes available.
- This approach helps her maintain cash flow efficiency while preserving her long-term investments.

No Prepayment Penalties

Clients have the flexibility to borrow and repay as much as they like, whenever they like, provided the line is in good standing.



 **Why It's Beneficial for Advisors**

■ **Understanding Interest Rates**

Advisors who understand how interest rates are structured in SBL can better advise clients on choosing the most appropriate lending product, especially when comparing it to unsecured loans.

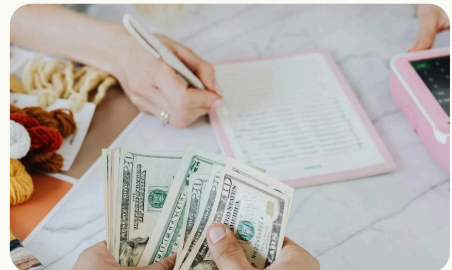


■ **Client Cash Flow Management**

The interest-only structure of SBL makes it an excellent option for clients who need liquidity but want to preserve capital and avoid impacting long-term investments. This is especially important for clients with seasonal or lumpy income.

■ **Flexible Repayment Terms**

With the ability to adjust repayment schedules, SBLs offer greater flexibility, which can be crucial for clients who are managing fluctuating income or need capital for seasonal expenses.



Level 2: Navigator (Intermediate)

How to Position SBL to Your Clients

[▶ Watch the video version of this section](#)

Positioning SBL as a Liquidity Tool

1 Positioning as a Solution for Liquidity Needs

- SBL is an ideal solution for clients who need liquidity but do not want to disrupt their long-term investment strategy.
- Emphasize that SBL allows clients to access capital without selling assets or triggering tax events. This is especially valuable for portfolios with long-term growth potential or high unrealized capital gains.

2 Tax Advantages

- A key selling point of SBL is the **deferral of capital gains taxes**—clients can use their portfolio as collateral and access liquidity **without triggering tax events** from the sale of securities.
- This is especially compelling for clients who are looking to **preserve their wealth** and avoid realizing gains until a more favorable time (e.g., after market fluctuations or a shift in tax laws).

3 Protecting against the unexpected

- A client may not have a definitive need at the moment, but opening the SBL means if there ever is a need, the client will have options other than liquidation of their assets.
- Many clients have enough liquidity for themselves, but people in their sphere of influence (family, friends) may have an emergency and SBL allows them to assist without disrupting their investment strategy.

4 SBL as a feature

- Rather than viewing SBL as a product, think of it as an account feature.
- Every taxable account can include a ready line of liquidity. Even if clients don't plan to use it, having it available offers peace of mind.

Customization to Client Needs

1 Tailoring the Pitch Based on Client Goals

- To determine how SBL may benefit a client, advisors should consider their full financial picture—not just investments. Understanding liability goals can help inform not only SBL recommendations but also broader planning and investment decisions.

For clients looking to fund a major purchase (e.g., real estate), emphasize how SBL offers the liquidity they need without selling investments. SBL can also be a bridge financing vehicle while other, longer-term financing options are being secured.

For clients needing to pay taxes, be aware of the tax deferral benefit of using SBL to access funds without realizing capital gains.

For business owners needing short-term capital, highlight that SBL provides a flexible, low-interest alternative to traditional business loans. The cost, simplicity, and flexibility of SBL are very likely the best source of liquidity any business owner has access to.

2 Financing the un-financeable

- Wealthy clients often make purchases (planes, art, jewelry) or fund experiences (vacations, private travel) that traditional loans won't cover. SBL provides a powerful liquidity option where financing otherwise may not exist.
- Additionally, clients can pledge their own assets to support the liquidity needs of others in their family or network.

Example

A 30-year-old son of a wealthy client wants to start a landscaping business. Because he has no credit history, traditional banks are offering high-interest loans. The parents open an SBL line in their own name and use it to fund the business—covering equipment and payroll until it becomes profitable. As a bonus, parents incur no gift tax, no capital gains tax, and no estate tax for helping.

To enhance your ability to communicate the value of SBL to clients with different needs, let's complete a role-based exercise designed to help you develop a tailored conversation.

Interactive Exercise

1 Client Profile Creation

Scenario 1: High-Net-Worth Individual Seeking Liquidity



Jane, 60

Portfolio valued at \$5M, consisting primarily of blue-chip stocks and municipal bonds

Needs

Looking for liquidity to purchase a vacation home without triggering capital gains taxes from selling stocks.

Goals

- Avoid taxes on her appreciated stocks
- Preserve long-term investment strategy while accessing funds quickly
- Maintain control over her portfolio
- Secure the property—her last three bids were unsuccessful in a hot market due to delayed financing

Scenario 2: Business Owner Needing Short-Term Financing



Mark, 45

Owner of a growing tech company

Needs

Looking for short-term funding for a new product launch but doesn't want to liquidate personal or business assets.

Goals

- Access capital quickly for a product launch
- Minimize risk to his personal assets
- Preserve the growth potential of his investment portfolio
- Secure competitive terms, despite not yet showing a profit due to rapid scaling

2 Craft Your Pitch

 For Jane, frame the pitch around:

The liquidity advantage of using SBL to access the \$500,000 she needs for the vacation home.

How she can retain ownership of her securities and continue to benefit from their growth and dividends.

The tax benefits, such as deferring capital gains.

Securing the house with SBL, she can work on a mortgage if/when she chooses.

 For Mark, focus on:

The speed of SBL approval, allowing him to access the funds quickly for his product launch.

How SBL gives him liquidity without selling assets, enabling him to keep his portfolio intact and avoid disruptions to his business and personal finances.

The flexibility in repayment terms, particularly useful for a short-term loan.

The ease of approval and favorable terms of SBL compared to a traditional commercial loan of a small company.

After crafting your pitch, consider the following questions:

- Which key benefits of SBL will resonate most with each client?
- How can you address any objections or concerns each client might have?

For Jane: How do you address any concerns she may have about the risk of market volatility affecting her collateral?

For Mark: How do you emphasize the flexibility and low interest compared to traditional business loans?



Peer Review

If possible, practice your pitch with a peer or mentor. Ask for feedback on the clarity and effectiveness of your pitch.

Consider how you can refine your approach for different client types, such as younger clients with high-growth portfolios or clients with more volatile investments.

Level 2: Navigator (Intermediate)

Key SBL Integration Points

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Retirement Planning

1 SBL for Liquidity without Tapping Into Retirement Accounts

a SBL can be an ideal solution for clients needing liquidity while preserving their retirement accounts. By borrowing against their taxable investment portfolios, clients can access funds without touching retirement accounts like IRAs or 401(k)s.

b This approach helps clients maintain their long-term retirement strategy, allowing retirement assets to continue compounding without disruption from short-term liquidity needs.

2 Maintaining Retirement Strategy

a SBL can be used to fund short-term needs, such as large purchases or medical expenses, without the drawbacks of withdrawing from retirement accounts, which may incur penalties or compromise long-term goals.

b It can also serve as a complementary tool to traditional retirement planning—providing access to liquidity without sacrificing the growth potential of retirement savings.

c Selling assets in retirement in a down market is particularly damaging to long term growth. SBL can be used to augment income in down markets, allowing assets to recover in up markets and creating a much higher success rate for retirement.

Tax Planning:

1 Deferring Capital Gains Taxes

a

SBL offers a significant tax advantage by allowing clients to borrow against appreciated securities instead of selling them. This strategy helps defer capital gains taxes or income taxes that might apply when liquidating retirement assets—especially in volatile markets.

b

Clients retain ownership of their investments, so future growth continues to accumulate tax-deferred (until the loan is repaid), enhancing their long-term tax position.

2 Estate Planning Benefits

a

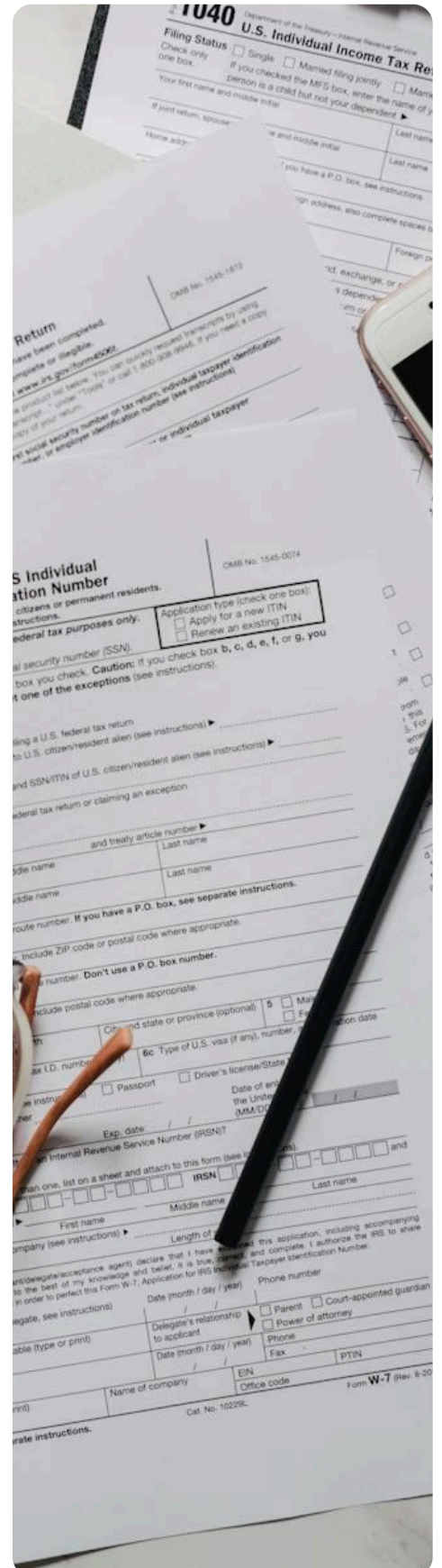
SBL can also be integrated into estate planning strategies, as it allows clients to use liquidity without triggering taxes on appreciated securities. This can be especially useful in estate tax planning for high-net-worth individuals who want to pass on their assets to heirs without incurring hefty capital gains taxes.

b

By using SBL to borrow against appreciated assets, clients can keep their estate intact while still gaining access to liquidity for purposes like charitable giving or funding trusts.

c

Borrowing against highly-appreciated assets allows clients to enjoy and share their wealth with family while maintaining the step-up in cost basis that will be a huge financial advantage for their heirs upon passing.



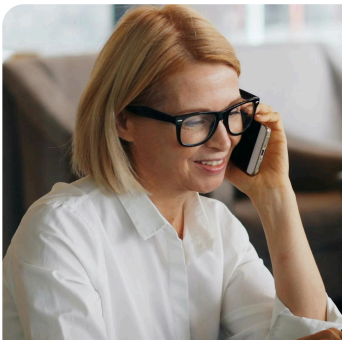
To better understand how SBL integrates into wealth management, let's complete a strategic exercise focused on retirement planning and tax planning.

Interactive Exercise

1 Case Study Analysis

Let's review two case studies of SBL in retirement and tax planning:

Case Study 1: Retirement Planning for Sarah



Sarah, 58

Portfolio valued at \$5M, consisting primarily of blue-chip stocks and municipal bonds

Needs

She is nearing retirement and wants to buy a vacation home, but she doesn't want to withdraw funds from her retirement accounts.

SBL Strategy

- SBL is used to borrow \$300,000 against her investment portfolio to purchase the home, while keeping her retirement savings intact. This allows Sarah to maintain her long-term retirement strategy without affecting the growth potential of her retirement funds.
- This strategy also allows her to preserve capital in her retirement accounts, avoiding early withdrawal penalties or tax implications.

Case Study 2: Tax Planning for James



James, 45

Portfolio valued at \$5M, heavily invested in technology stocks.

Needs

He needs liquidity to fund a charitable donation and wants to avoid paying capital gains taxes on his highly appreciated stocks.

SBL Strategy

- James uses SBL to borrow \$500,000 against his tech stocks to fund the donation. The tax deferral aspect of SBL allows James to avoid realizing gains on his tech stocks, while continuing to benefit from their potential future appreciation.
- He achieves his charitable giving goals while maintaining the long-term growth potential of his portfolio.

2 Create Your Own Strategy

Now, it's your turn! Based on the case studies, create a strategy for one of the following hypothetical clients:

Client 1

Profile

David is a 60-year-old entrepreneur with a portfolio of \$7MM in stocks, mutual funds, and bonds.

Needs

He wants to fund his grandchildren's education without affecting his retirement savings, which are primarily in a 401(k).

Client 2

Profile

Emily, a 50-year-old business owner.

Needs

She needs liquidity for a property investment but doesn't want to sell her highly appreciated real estate holdings. She seeks a way to generate funds without incurring tax penalties from the sale of assets.

Develop a strategy using SBL that will help these clients meet their goals while integrating SBL with their **retirement** or **tax** planning.

Once you have developed your strategy, consider the following:

- Which aspects of SBL (e.g., tax deferral, liquidity, preserving assets) are most relevant to your client's goals?
- How can you tailor your approach based on the client's age, investment profile, and liquidity needs?
- If the client is concerned about market volatility, how will you address and manage that risk?



Peer Review

Share your strategy with a peer or mentor for feedback on how you can improve your SBL approach.

Discuss any potential objections clients might raise—especially around risk (such as market downturns)—and how you would respond to those concerns.

Want personalized feedback?

Connect with an expert from SBL Academy to review your strategy, get tailored guidance, and explore how to better apply SBL across real client scenarios.

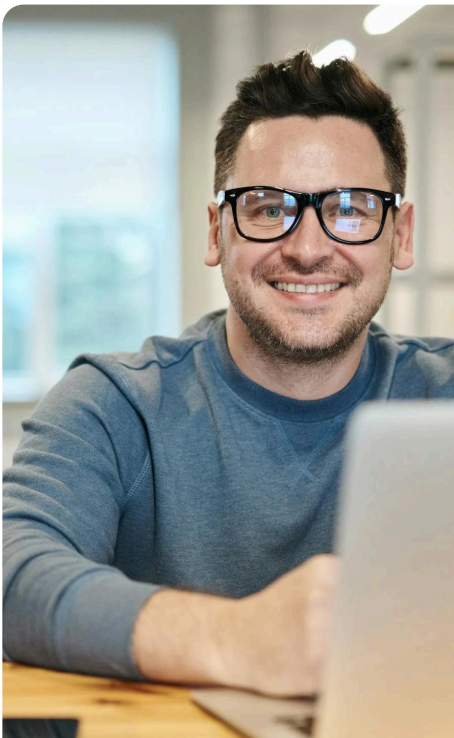
 [Schedule a strategy session today.](#)

To help you prepare for managing the risks associated with SBL, let's walk through a collateral call scenario using a risk assessment tool. This exercise will help you understand how to proactively monitor client portfolios and respond to potential collateral calls.

Interactive Exercise

1 Case Study Scenario

Client Profile



Alex, 45

He has a diversified portfolio valued at **\$2MM** consisting of **stocks** (60%), **bonds** (20%), and **mutual funds** (20%).

Loan Details

- Equities get a 75% advance rate.
- Mutual funds get a 50% advance rate.
- Bonds get an 80% advance rate.

Current Situation

The stock position has recently declined by 25%, and Alex's portfolio is now valued at **\$1.7MM**.

Scenario

Due to the decline in market value, his maximum borrowing ability would be \$1.95MM. His outstanding balance of \$1.42MM puts him in a \$225K collateral call.

Your Task

Determine the best course of action to resolve this collateral call.

2 Risk Assessment Tool (Interactive Component)

☐ Calculate the Shortfall

With the new portfolio value of \$1.7MM, the new LTV ratio is calculated by dividing the loan amount by the current portfolio value.

☐ Evaluate the Action Options

Option 1

Add more collateral to cover the shortfall.

Questions to consider

Does the client have taxable assets held elsewhere he can transfer?

Will they get enough advance rate to cover the shortfall

Are those assets eligible?

What if the market continues to fall?

Option 2

Pay down part of the loan to eliminate the shortfall.

Questions to consider

Does the client have excess cash to pay down the loan enough?

Does using this cash to pay down the loan create any potential liquidity risks?

Option 3

Reinvest the current portfolio to create a higher capacity by investing in assets with a higher advance rate.

Questions to consider

What does this reinvestment mean for the client's investment goals and risk tolerance?

Are there any costs associated with selling and buying new securities?

☐ Select the Risk Mitigation Strategy

■ After reviewing the options, select the most appropriate risk mitigation strategy based on the client's risk tolerance and financial goals. Think about the factors that would contribute to selecting each of the resolution options.

■ Are those assets eligible?

3 Discuss Collateral Call Resolution

Once you have completed the risk assessment, review the following with your peers or mentors:

- What is the impact of the collateral call on your client's portfolio?
- What are the trade-offs between adding collateral, paying down the loan, and reallocating collateral?
- How does the client's overall portfolio composition (stocks, bonds, mutual funds) influence the decision-making process?

4 Develop a Client Communication Plan

After resolving the collateral call, create a communication plan for Alex to ensure that they understand:

- What led to the collateral call, and what steps were taken to resolve it.
- Strategies for preventing future collateral calls, such as maintaining a conservative LTV ratio (e.g., 50%) and ensuring that the portfolio is adequately diversified.
- When to re-evaluate the portfolio, considering market volatility or significant changes in investment value.



Peer Review

Share your **collateral call resolution** plan and **client communication strategy** with a peer or mentor for feedback.

Discuss potential improvements to your collateral call mitigation strategies and how you can proactively prevent similar situations in the future.



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