# Dispelling the Top 5 Myths About Securities-Based Lending

## Skeptics Should Reconsider and Take Notice of the New Reality for Securities-Based Lending

SUPERNOVA TECHNOLOGY™

**Securities-based lending (SBL)** offers compelling benefits to investors, advisors, and wealth management firms. In 2020, Supernova Technology™, an industry leading provider of SBL solutions, saw across our platform:

- 137% increase in SBLOC (securities-based lines of credit)
- 163% increase in commitments
- 179% increase in balances
- 192% increase in weekly draws

By definition, SBL offers investors a way to access a line of credit using the value of their non-retirement investment portfolio as collateral. SBL can be an appealing lending option for investors to meet liquidity needs without disrupting their investment strategies or triggering capital gains. SBLOCs are flexible and often have lower interest rates and higher advance rates than margin loans.

While wealth management firms who use Supernova's solution have successfully grown their SBL business, we know other firms grew far less and could be missing opportunities. These firms could readily adopt Supernova's modern SBL solution that is streamlined, integrated, and easy-to-use. So why don't more firms make enhancing their SBL solution a priority? There is no good reason not to prioritize a state-of-the-art SBL solution for your wealth management firm. Let's separate the top 5 myths from the realities.

**Myth #1:**

*We're focused on growing AUM (assets under management) and don't have time for SBL.*

**Reality:**

***Firms that take a proactive SBL approach can benefit from increased AUM.***

We know at wealth management firms, growing AUM is a priority. The reality is a robust SBL offering helps firms grow AUM in multiple and meaningful ways.

Supernova has observed that the highest-producing advisors tend to use SBL proactively for their investor's liquidity needs. Why? SBL is key to being able to provide holistic advice, which in turn deepens investor relationships. Having your advisors regularly offer SBL can result in:

- Keeping assets in-house as investors have less need to liquidate parts of their portfolio
- Growing share of wallet, from investors moving over new assets to add collateral to, and thereby increasing, their SBLOCs and
- Attracting new investors by providing an essential offering

Many independent BDs and RIAs are looking to grow through recruiting. When recruiting advisors, especially those at large institutions, firms need to provide a streamlined way and a compelling SBL offering for advisors to bring over their investors' existing SBL balances and serve their ongoing liquidity needs.

The reality is wealth management firms need to pay attention to how their competitors benefit from SBL. Supernova's clients achieve remarkable results—shouldn't you? It's time to prioritize an integrated SBL solution to help grow your firm's AUM.

**Myth #2:**

*Our investors don't need lending products.*

**Reality:**

***Your investors want attractive liquidity options offered by their advisors.***

The COVID-19 pandemic highlighted the many benefits of advisors proactively offering SBL to serve their investor's liquidity needs. No one can predict the future, but having an SBLOC to draw on should a cash need arise helps investors gain peace of mind. Conversely, with the market at all-time highs, many investors want to leverage their portfolio to make purchases, and SBL loans offer an attractive lending option to do so.

Everybody borrows, and US consumer data reflects this trend with non-housing debt at $4.52 trillion — an all-time high according to the New York Fed's Q4 2020 Quarterly Report on Household Debt and Credit. Why should your investors' borrowing needs be left to banks? Supernova saw new SBLOC applications increase 300% in 2020 across our platform, showing that investors do borrow and want to take advantage of SBL through their advisors. SBLOCs are flexible and can often provide funds more quickly and in a less complicated process than traditional real estate or business loans. The reality is that providing SBL to your investors is an appealing and valuable option.

**Myth #3:**

*Our advisors are reluctant to work with SBL.*

**Reality:**

***Advisors need to provide the holistic advice their clients require, and SBL is a valuable liquidity solution to do so.***

Gone are the days where advisors can solely focus on managing their clients' money; your investors want financial advice beyond investments. According to EY's 2019 Global Wealth Management Research Report, 50% of investors say they will be looking for more holistic advice within three years and 60% say they are considering using advisory services while starting a new business or buying a house. Your advisors plan for life events with your client's investment strategy – why not also with their financing strategy?

The reality is that advisors' guidance is critical and valued by investors to plan for their investing AND borrowing strategy. SBL has become a 'must-have' offering at many wealth management firms. The truth is that your investors can readily take their business elsewhere to an advisor who serves more of their needs and provides the broader relationship they seek.

**Myth #4:**

*Our advisors only do SBL as an accommodation because it's such a cumbersome process.*

**Reality:**

***Advisors will proactively offer SBL when they have a streamlined, easy-to-use SBL solution.***

Supernova regularly hears advisors don't want to subject their investors to a 3rd party's time-consuming SBL process and these same advisors' SBL penetration is minimal compared to their investor's borrowing capacity. Advisors do want to use SBL to help their investors, but their firm's SBL solution is a barrier to adoption as its clunky processes are a poor experience and cause frustration for all—investors, advisors, and home office staff. There is a better way to do SBL at your firm; Supernova's technology removes advisors' adoption impediment with our digital and easy-to-use SBL solution. Supernova was founded by advisors for advisors with a mission to provide a superior SBL solution so that wealth managers can proactively offer SBLOCs to a broader range of investors with confidence.

When you adopt Supernova's platform, your firm will benefit from a digital, fast, and easy-to-use loan process—even for advisors with no lending experience. Supernova has a streamlined application that can be decisioned in hours or days, not weeks, with full integration. Your advisors and investors will have \complete transparency to key loan details and benefit from Supernova's best-in-class servicing. Don't be a naysayer; change your firm's reality with a modern SBL solution.

**Myth #5:**

*Our firm's IT resources are limited, and we cannot handle another project.*

**Reality:**

***Supernova's platform is resource-light to implement and requires little involvement from your team.***

Supernova understands the many priorities and initiatives competing for resources at wealth management firms. We get it. At Supernova, we pride ourselves on our customer focus, and we come with deep program management expertise. The reality is, our solution is cloud-based, modularly designed, and supported by a broad suite of APIs for easy data exchange. As such, implementation is almost like loading a plug-in that requires minimal IT resources from your firm.

Supernova offers a superior SBL experience to help your firm better compete and achieve meaningful AUM growth. Our clients experience remarkable results, so don't delay and make Supernova's solution your new and improved reality. To see the difference our state-of-the-art SBL solution can make for your investors, advisors, and firm contact us at (312) 470-6280 or info@supernovacompanies.com