LPL Financial

Liquidity Lending Tools at LPL Financial

Keep wealth strategies intact while pursuing your life's ambitions

Whether it's buying a home, paying taxes, or creating capital for a business, nearly everyone needs access to funding now and then. When those times arise, you may choose to sell securities from your portfolio or take out a home equity or other bank loan. Another option to consider is borrowing using your securities as collateral.

Securities-based lending allows you to strategically plan your life's goals while efficiently using your personal balance sheet. By using a loan, you can keep your current investments intact, especially when you know a future income payment is coming, or you can plan for taxation events, perhaps even opting to sell an investment security at an advantageous time.

There is no cost to establish these loans, and like other types of loans, you'll pay interest on loan balance. Generally, interest rates are similar to home equity lines of credit, yet you'll avoid the months-long process and paperwork of real-estate loans.

Repayment is also more flexible and on your own terms. You decide when and how much to pay, and you can even work with your financial professional to apply the interest and dividends earned from your securities to pay down your loan.

Loans using your securities as collateral are geared to short-term needs. You choose how to use the funds and the loans act as a line of credit, which you can tap at any time.

Common uses include:

- A bridge loan for a real estate purchase or home remodeling projects
- Creating capital for a new business venture
- Tax payments
- Private school or college tuition bills
- Any large expense: Buying boats, paying for a family vacation, paying for medical expenses, etc.

Choosing the right loan for your needs

Your financial professional at LPL Financial has two types of secured borrowing available: Traditional margin borrowing or a securities-based line of credit.

Traditional margin lending and securities-based loans work similarly:

	Margin lending	Securities-based lending - bank loan
Uses your securities held at LPL Financial as loan collateral	✓	✓
Lets you borrow up to a certain percentage of the value of your eligible securities	✓	✓
Offers flexible repayment options: Interest can be added to the account balance as long as you have the equity available	✓	✓
Has a collateral call function if the market value of the securities falls below a certain level*	✓	✓
Has the risk of the loaning entity (LPL or the bank) selling out the securities to pay off the loan	✓	✓

* When there's a collateral call, you're given a short period to deposit additional cash or sell securities to return the account to a healthy loan-to-value level.

But there are also important differences:

	Margin lending	Securities-based lending - bank loan
Use of the loan	• Liquidity borrowing • Investment strategy borrowing	• Liquidity borrowing only
Where loan is held	• LPL Financial	• A third-party bank
Borrowing power	• 50% of eligible equities, mutual funds, and ETFs; varies for fixed income	• Higher than margin, generally around 70% of eligible securities
Eligible account types	• Broker-dealer • Overdraft function for LPL CMA • SAM • SWM	• Brokerage • All advisory platforms • Can pledge multiple accounts to a single loan
When can you add to the account?	• At account opening • Anytime desired	• After account opening
Application and approval process	• Client signs a margin agreement	• Client completes an application • Client agrees to credit check • Underwriting approves the loan • Client signs loan agreement
Timeline	• Margin enabled within 1 business day on an account • Margin funds immediately available	• Underwriting takes 5-10 days • Funds available within 1 day afterward
Pricing	• Floating interest rate based on loan size	• Floating interest rate based on credit availability
Collateral calls	• Both traditional margin loans and securities-based loans are subject to collateral calls if the value of the collateral declines below required levels • Margin has regulatory requirements for calls; bank securities-based loans have more flexibility	

There are certain risks to borrowing money against your investments, so consider all of your options.

Market fluctuations may cause the value of your pledged assets to decline and cause a collateral or margin call. If you are unable to deposit cash, the lending entity (LPL Financial or the bank) may sell your securities, at their discretion, to maintain the needed level of equity for the loan. If your securities are sold to meet the collateral call, you could experience adverse tax consequences.

Margin and securities-based loans loans feature variable interest rates tied to an index or base lending rate. Interest rates will generally rise and fall as the Fed raises or lowers rates. An increase in interest rates could affect the overall cost of borrowing. For more information about the potential risks, read the lending disclosures.

Beyond liquidity borrowing, a margin loan can be used to buy additional securities, for options or to enact certain hedging strategies. Options strategies and leverage in general entail risk. Talk with your LPL financial professional about your risk profile and whether borrowing to pursue an investment strategy is the right choice for you.

We invite you to talk with your financial professional

At LPL Financial, we are dedicated to offering a full suite of borrowing options that enable you to pursue your family's dreams. Traditional margin borrowing and securities-based lines of credit are tools that compliment your investment strategy and wealth building plan.

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