Harness the power of flexible lending

FAMILY & LIFESTYLE

Did you know a securities-based line of credit (SBL) can help you finance everything from a dream home to a dream … horse?

Chances are, you may never consider buying a thoroughbred racehorse. But if you are, an SBL could work for that. And if it can help you buy a horse, it can certainly help with whatever you might be in the market for – conventional or otherwise.

SBL vs. personal loan

First things first: There's no such thing as a horse loan, in the sense that a mortgage is for buying property or a car loan is for buying a car. Instead, financing a horse requires you to take out a personal loan.

You can buy just about anything with a personal loan because your purchase has no bearing on the loan itself – it's not collateral. You get the money based solely on your financial qualifications. That's particularly important when it comes to buying a horse because there's no guarantee your purchase will last as long as you need it to. The horse could technically fall ill or pass away at any time and lose all value. But with an SBL, just as with a personal loan, that possibility won't prevent you from securing the funds you need.

An SBL is a particularly savvy strategy if you want to avoid disrupting your investment strategy or liquidating assets to make a big purchase. Once secured, an SBL can be used to purchase virtually anything, with the exception of carrying or trading securities*, and you can typically withdraw funds immediately. Another plus? An SBL allows you to get a more competitive interest rate than you would through a personal loan. That's because your line of credit is backed by your portfolio.

The cash you need, plus a little extra

Whether you're seeking to buy a horse, a boat or something else, many big purchases require ongoing maintenance. With a horse, that includes boarding, food, veterinary care, and equipment. That's part of the reason getting a competitive interest rate is so important. You'll want extra cash to cover additional or unexpected expenses, along with the security of knowing you don't have to pay back the money in a rush.

Since an SBL uses your taxable brokerage account as collateral, you usually have the flexibility of choosing how much to borrow. The repayment process is often flexible as well. You can choose to amortize your SBL over any period you desire, from one year to 10 or more. You'll just want to ensure you maintain the required collateral amount in your account. And, of course, even if something were to happen to your purchase, you'll still be liable for any outstanding payments. But that's the case with any borrowed money.

Say "yes" to more

No matter if you're in the market for the next Seabiscuit or just want to capitalize on an exciting opportunity, an SBL can allow you to access cash quickly without disrupting your asset allocation while staying invested in the market. So, we're not horsing around when we say this strategy can offer the best of both worlds.

**Proceeds cannot be used to purchase cryptocurrency or invest in marginal businesses, such as marijuana.*

A securities-based line of credit (SBLC) may not be suitable for all clients. Borrowing on securities-based lending products and using securities as collateral may involve a high degree of risk, including unintended tax consequences and the possible need to sell your holdings, which may lead to a significant impact on long-term investment goals. Market conditions can magnify any potential for loss. If the market turns against the client, he or she may be required to quickly deposit additional securities and/or cash in the account(s) or pay down the loan to avoid liquidation. The securities in the pledged account(s) may be sold to meet the collateral call, and the firm can sell the client's securities without contacting them.