

Unlock Liquidity Solutions on Demand

Securities-based lending may help you tap into the value of your investment portfolio

Key Points

- Securities-based lending is another means of managing wealth that permits you to leverage the power of your portfolio in order to fund a variety of personal or business needs
- The liquidity accessed through securities-based lending can be used for asset purchases, wealth planning, gifting, tax payments, and others
- As with all financial transactions, there are potential risks in borrowing against your portfolio, but they can be managed





An opportunity arises. Whether for a pied-à-terre in the city, a second home in the country, a vacation house at the beach—or other circumstances that require significant liquidity, such as tax planning, wealth transfers, or transformational charitable giving—why not leverage the power of your portfolio at your fingertips? Securities-based lending may afford you the opportunity to establish a line of credit, using your eligible portfolio holdings as collateral.

Take advantage of the liquidity your assets may offer

Securities-based lending may potentially be a better means of accessing liquidity than other types of financing options. Proactively establishing a securities-based line of credit enables you to:

- **Create ready cash for a variety of spending needs** (see box on page 2) or smooth out intermittent or irregular cash flow
- **Keep your investment strategy on track.** Leveraging rather than liquidating a portion of your portfolio permits you to maintain market exposures, while continuing to earn dividends and interest, as well as the capital appreciation that could accrue from your investments
- **Avoid potential taxable events triggered by selling investments.** Exercising your financial flexibility with your investments may help you mitigate a steep tax obligation in the case of selling a low-basis holding

Compared to other financing strategies, securities-based lending solutions also feature:

- Competitive pricing (tied to attractive Secured Overnight Funding Rate, or SOFR)
- A simple, streamlined application process without fees or closing costs

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Borrow against eligible securities to fund:

- Financing, refinancing, or improvement of residential or investment properties
- Business expansion or start-up costs
- Luxury acquisitions (watercraft, artwork)
- The considerable cost of life events (weddings, tuition)
- Tax planning
- Medical or other urgent, unplanned expenses
- Time-sensitive opportunities

To learn more, please contact:

Be aware of the risks

As with all financial transactions, there are potential risks in borrowing against your portfolio. Among them is the possibility that market volatility may greatly reduce the value of your holdings, magnifying loss and perhaps requiring you to repay the borrowed funds or deposit additional funds to act as collateral. This, in turn, could potentially lead to unintended tax consequences and/or hinder your long-term investment strategy. Another risk is that your loan's low interest rate (which is based on a premium over SOFR, and will rise in tandem) could increase, making the loan more expensive than you originally anticipated.

While the risks of leveraging your investments to fund liquidity can never be completely avoided, they can be managed. One way to minimize potential risk is to not borrow more than a certain portion of the value of your securities that are collateralizing the loan. Being sure that an ample cushion appropriate for your balance sheet remains in place can serve as a risk buffer.

In the event that the market value of your collateralized securities falls precipitously there could be a "collateral call," which requires the immediate repayment of borrowed funds.* However, you may be able to reduce the likelihood of such an event by taking certain steps, such as:

- Selectively borrowing against less volatile investments (such as blue-chip stocks or U.S. Treasuries) that may be less likely to result in a collateral call to immediately repay funds
- Diversifying among asset classes that are not equally vulnerable to potential economic shocks, to help decrease the chance of a portfolio-wide dip**
- Carefully monitoring your investments, particularly during volatile times, in an effort to anticipate and sidestep drawdown risk of capital loss (Drawdown is the peak-to-trough decline in a portfolio's value, or the volatility of returns below a specified target return)

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Let our team help you address your short-term liquidity needs with a solution that may complement your overall wealth plan.

*Increases in variable interest rates will result in higher periodic payments.

**Diversification cannot ensure a profit or guarantee against a loss.

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Borrowing with securities as collateral involves certain risks and is not suitable for everyone. A complete assessment of your individual circumstances is needed when considering a securities-based loan. You should review both the Securities-Based Lending Program Credit, Security and Guaranty Agreement and the Disclosure, Waiver of Conflict of Interest, Acknowledgment and Release carefully with your legal and tax advisors. Also consider the following:

- Credit secured by marketable securities can increase your level of market risk.
- The downside is not limited to the collateral value in your pledged account.
- Assets held in your accounts may lose market value or may be afforded less collateral value by the lender at any time, resulting in a collateral call.
- The collateral maintenance requirements can be increased at any time, which may result in a collateral call, and the lender is not required to provide you with advance written notice.
- You are not entitled to an extension of time on a collateral call.
- An increase to the variable interest rate will result in a higher periodic payment required and, if you are unable to make the higher periodic payment, could result in a collateral call. The sale of any securities in your account may be initiated, without contacting you, to meet a collateral call.
- Your ability to withdraw assets will be subject to the consent of the lender.
- The sale of your pledged securities may cause you to suffer adverse tax consequences. You should discuss the tax implications of pledging securities as collateral with your tax advisor. Neither M&T Bank Corporation, nor any of its subsidiaries, affiliates, or advisors, provide legal, tax or accounting advice. You should consult a legal and/or tax advisor before making any financial decisions.

All securities and accounts are subject to eligibility requirements. Certain restrictions and terms and conditions apply. Tax-deferred assets are not eligible. Financing real estate with a securities-based loan or line of credit carries risk and may not be appropriate for your needs. Securities held in a retirement account cannot be used as collateral to obtain a loan.

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