Goldman Sachs | Private Bank SELECT

Securities-based Lines of Credit in Practice

Helping Baby Boomer Clients Move to a Retirement Community

Securities-based Lines of Credit in Practice is a series based on borrower experiences using GS Select.

A couple in their early 60s were looking to sell their longtime family home and move to a new retirement community being built in a vacation destination they had visited repeatedly over the years. They identified a building lot in the community they loved. They wanted to move quickly on the purchase and then start on construction as soon as possible.

Down the road, they would sell their longtime residence. But given the time needed for construction and the challenges of preparing and marketing their current home for sale, the couple figured that sale could be a year away.

As one option to bridge the gap, their financial advisor suggested a securities-based line of credit (SBLOC) secured by the couple's nonretirement portfolio. That way they wouldn't need to disrupt their investment holdings to cover this temporary cash need. Based on their portfolio's size and composition, the clients were able to secure a line of credit sufficient to cover the full expected cost of the land purchase and new home construction.

While an SBLOC has risks and isn't appropriate for all individuals, the clients decided it was a good choice for them. One advantage of borrowing with an SBLOC was that they could draw down the credit as needed, so they didn't incur unnecessary interest expense. An SBLOC also doesn't have a fixed term. That meant they didn't have to worry if the construction or sale took longer than expected—and they could repay the debt earlier than planned if they quickly got a great bid for their current house.

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