

# Goldman Sachs Private Bank Select (“GS Select”) Turns One



*This week we’re celebrating the first anniversary of GS Select, the high-tech, high-touch lending program. Whit Magruder, head of GS Select, provides an update on this exciting milestone.*

**Q: Goldman Sachs launched GS Select in 2017. Does that mean that securities-based lending is a new business for the firm?**

**Whit:** No, it’s actually something that we have done as a private bank for many years with clients of Goldman Sachs Private Wealth Management. We’ve found that many people appreciate the flexibility of lines of credit that can be arranged quickly, secured by nonretirement investment assets, and that they can tap into when the time is right.

**Q: Why did the firm decide to offer securities-based lines of credit (SBLOCs) to clients of independent financial advisors?**

**Whit:** The market for independent advisors serving affluent and high-net-worth individuals has been growing rapidly. We saw that many firms were not associated with a bank and advisors did not have the ability to offer securities-based lines of credit. There seemed to be a lot of opportunity to bring our experience and capabilities to bear in this expanding and dynamic space.

**Q: Are there milestones you can share on the growth of the business in year one?**

**Whit:** A lot of our initial focus has been on building relationships with broker-dealers, asset custodians and other institutions with which independent advisors are associated. We have established relationships with firms that collectively reach tens of thousands of advisors. We’ve really started ramping up loan originations recently. And we continue to invest in the platform, having just introduced a digital portal for individual borrowers.

**Q: What are some of the firms that have signed on as partners?**

**Whit:** We have publicly announced two major relationships. One is with Fidelity. The other is with LPL Financial, which has more than 15,000 advisors. Other firms have preferred to communicate their partnership with GS Select directly to their advisors.

**Q: What has surprised you as you’ve been building out GS Select?**

**Whit:** One thing we’ve found is that a relatively small segment of independent advisors are familiar with securities-based lines of credit. For a much larger number of advisors, this is something new. We are putting a lot of effort into educating advisors when and how they can appropriately offer this program to clients.

**Q: What’s your elevator pitch for advisors who have never thought of using securities-based lines of credit? Why should they consider it?**

**Whit:** Fundamentally, a securities-based line of credit is a tool to help a client bridge cash flow needs. This allows them to avoid selling securities in their investment portfolio until they are ready. The line of credit gives the client and the advisor the ability to separate the client’s investment program from the management of the client’s liquidity needs.

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**Q: But these borrowing arrangements aren't right for all clients, are they?**

**Whit:** That's right. SBLOCs are generally not appropriate, for instance, as the permanent long-term financing for your primary residence. People should not borrow every dollar possible against their portfolio because it leaves too little room to handle a market correction. Our program is designed to make sure that advisors are recommending it when it is appropriate for the client to borrow and that amount they plan to borrow is appropriate given their circumstances.

**Q: How does GS Select differentiate itself in the marketplace?**

**Whit:** We have used technology to make the process of applying for and using a loan all-digital, so that it is dramatically simpler and quicker than is typical. We also have minimized the amount of information and documentation required from the client. We love transparency. Information on new and existing borrowing is transparent to both client and advisor. We have also deployed a dedicated team of lenders—regionally based, with a central support desk—that work with advisors. They help advisors in transition and get them acclimated to the platform. We're really trying to change the way this type of loan works by improving the user-experience.

**Q: What are your aims for the business in year two?**

**Whit:** We expect to spend a lot of our time working with advisors on why, when and how clients can use securities-based lines of credit to meet needs. For teams of advisors in transition with an existing book of loans, we expect to spend a lot of time helping them bring clients over to their new platform. And of course we will continue to expand our network of institutional partners.

**Q: Are there enhancements that GS Select users can expect in year two?**

**Whit:** We are expanding the digital platform to accommodate even the most complex loan types in the very-high-net-worth space present. We are also planning significant enhancements that will make it even easier for individuals to control their borrowing experience online.

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