



How RIAs Can Use Securities-Based Lines of Credit

Offer clients flexible liquidity in uncertain times.

For financial advisors, building successful client relationships requires addressing those clients' immediate needs without losing sight of their larger financial goals. In challenging economic environments, providing clients with access to liquidity can be the key to balancing their short-term needs with their long-term goals. One strategy is to take advantage of tools such as securities-based lines of credit (SBLOCs) that offer a powerful way to manage clients' liquidity needs.

However, not all advisors may have enough familiarity with SBLOCs to rely on them as liquidity management tools. "Traditionally, SBLOCs have been treated as more of an institutional product, so independent RIAs without a wirehouse background may be less familiar with them," says Mario DePasquale, regional lending manager with Goldman Sachs Private Bank Select®, or GS Select®.

The SBLOC advantage

By using existing investments to secure a line of credit, clients have an attractive alternative to liquidating stocks or other holdings to cover short-term liquidity needs. Staying fully invested could help minimize disruptions to their long-term investment plans.

The upshot: clients don't have to sacrifice their long-term investment strategy for large, short-term purchases. "Imagine a client who comes in excited about the prospect of a big purchase, like a vacation home or a boat," DePasquale says. "You can tell them, 'Before you liquidate, you have this other option available as an alternative to liquidating your position,' which is a win-win: you can respond positively about the purchase while also not disrupting the client's long-term goals."

DePasquale also sees opportunities for advisors to use SBLOCs proactively to give clients more latitude as they consider their short- and medium-term goals. That strategy could free a client up to purchase a retirement home without the hassle and cost of underwriting an additional mortgage and without any pressure to sell an existing property first. "By setting up an SBLOC, they can come in as a cash buyer, allowing them to move on their own timeline," says DePasquale. "It can enable the client to move quickly and decisively when the right opportunity comes along."

A new era for SBLOCs

Until recently, DePasquale hasn't seen many SBLOC offerings for the independent RIA space. That situation is finally changing, however. "GS Select has made these products very client-friendly, which in turn makes them easier for advisors to sell to their clients," he says. "They bolt seamlessly onto existing technology, giving both clients and advisors ready access to the product." GS Select also uses a streamlined approval process so clients can get access to their line of credit in a timely manner in order to meet their liquidity needs.

DePasquale believes this ease of use will make it possible for advisors to view SBLOCs as a core product for managing liquidity in ways that allow them to respond more efficiently to their clients' needs. "I think now, more than ever, it's really important that advisors look at what's available to help their clients navigate through these challenging and strange times, so that we can ultimately reach the needs of their end clients," he says.

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