

# Client Report

## Securities-Based Line of Credit (SBLOC)

Prepared for InVestra Clients

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### Executive Summary

High-net-worth investors often face a common challenge: how to access liquidity without disrupting a carefully constructed investment portfolio. The Securities-Based Line of Credit (SBLOC) offered through LPL Financial provides an institutional-grade solution that allows clients to unlock the value of their portfolios while maintaining their long-term investment strategy.

This report outlines how SBLOCs work, their strategic benefits, risks, and ideal use cases for InVestra clients.

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### What Is an SBLOC?

A Securities-Based Line of Credit (SBLOC) is a flexible, revolving line of credit secured by eligible investment assets such as:

- Stocks
- Bonds
- Mutual funds
- ETFs

Rather than liquidating investments, clients can borrow against their portfolio's value, typically at competitive interest rates.

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### Key Features

#### 1. Flexible Access to Capital

Clients can draw funds as needed and repay on their own schedule, similar to a home equity line of credit.

## **2. No Immediate Taxable Event**

Because assets are not sold, clients generally avoid triggering capital gains taxes.

## **3. Competitive Interest Rates**

Rates are typically lower than unsecured lending options due to collateral backing.

## **4. Speed and Efficiency**

Approval and funding are often faster than traditional lending processes, with minimal documentation.

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# **Strategic Benefits for High Net Worth Clients**

## **Preserve Investment Strategy**

Clients can remain fully invested in the market, avoiding potential opportunity costs associated with liquidation.

## **Enhance Liquidity Planning**

SBLOCs provide a ready source of funds for:

- Real estate purchases
- Business investments
- Bridge financing
- Lifestyle expenditures

## **Portfolio Leverage (Advanced Strategy)**

Sophisticated clients may use SBLOCs to create liquidity while maintaining exposure to market appreciation.

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## **Example Use Case**

A client with a \$5 million diversified portfolio needs \$1 million for a real estate opportunity.

**Without SBLOC:**

- Liquidates assets
- Triggers capital gains taxes
- Potentially misses market upside

**With SBLOC:**

- Borrows against portfolio
  - Maintains market exposure
  - Defers tax implications
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## **Risk Considerations**

While SBLOCs are powerful tools, they are not without risk:

### **Market Risk**

If the value of pledged securities declines, the client may face:

- Margin calls
- Requirement to add collateral or repay loan

### **Interest Rate Risk**

Rates are typically variable and may increase over time.

### **Not Suitable for All Uses**

SBLOC proceeds should **not** be used to:

- Purchase additional securities (unless specifically structured and approved)
  - Engage in speculative investments
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## **Suitability Profile**

SBLOCs are generally appropriate for clients who:

- Have substantial taxable investment portfolios
- Require short- to medium-term liquidity
- Prefer not to disrupt long-term investment strategies
- Understand leverage and associated risks

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## How InVestra Adds Value

InVestra advisors play a critical role in:

- Evaluating whether an SBLOC aligns with a client's broader financial plan
- Structuring appropriate borrowing levels
- Monitoring risk exposure and market conditions
- Coordinating with LPL Financial lending solutions

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## Conclusion

The SBLOC solution offered through LPL Financial represents an institutional-quality liquidity strategy for high-net-worth clients. When used thoughtfully, it can enhance flexibility, preserve investment integrity, and support sophisticated financial planning objectives.

As with any leverage-based strategy, proper guidance and ongoing oversight are essential. InVestra is well-positioned to help clients evaluate and implement SBLOCs as part of a comprehensive wealth strategy.

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## Next Steps

Clients interested in exploring an SBLOC should:

1. Schedule a consultation with their InVestra advisor
  2. Review portfolio eligibility and borrowing capacity
  3. Evaluate use cases and risk tolerance
  4. Initiate application through LPL's lending platform
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