

Securities-Based Lending: A Flexible Liquidity Solution for Investors and Financial Advisors

Investors often face a challenge when accessing liquidity without disrupting a carefully constructed investment portfolio. The challenge has become more pronounced in recent years, as strong market performance, particularly among large-cap companies benefiting from advancements in artificial intelligence, has created significant unrealized gains for many investors. Whether funding a real estate purchase, covering a business investment, managing a tax obligation, or addressing other cash flow needs, selling appreciated securities can trigger capital gains taxes and potentially alter a long-term investment strategy.

As demand for flexible financing solutions continues to grow, securities-based lending has emerged as an increasingly valuable tool for investors and the financial advisors who serve them.

What Is Securities-Based Lending?

Securities-based lending allows investors to borrow against eligible investment assets, including stocks, bonds, exchange-traded funds (ETFs), and mutual funds. Rather than liquidating holdings, investors can use their portfolios as collateral to access capital while maintaining their overall investment strategy.

Unlike traditional loans, securities-based lending solutions often provide streamlined access to funds, flexible repayment options, and no need to sell investments to generate liquidity.

For financial advisors, these solutions can help address a broader range of client needs while supporting long-term wealth management objectives.

Why Investors Are Increasingly Turning to Securities-Based Loans

Today's investors face a variety of liquidity needs that may arise unexpectedly or require immediate action. Common uses for securities-based lending include:

- Real estate purchases and down payments
- Business investments and acquisitions
- Tax planning and tax payments
- Major purchases or life events
- Bridge financing opportunities
- Portfolio diversification strategies

In many cases, investors may prefer to avoid selling appreciated assets that could trigger capital gains taxes or create unintended changes to their asset allocation.

A securities-based loan can help provide access to capital while allowing investment portfolios to remain intact.

Some Benefits of Securities-Based Lending

- **Maintain Investment Exposure:** Investors can continue participating in potential market appreciation without liquidating holdings to generate cash.
- **Potential Tax Efficiency:** By borrowing against investments rather than selling them, investors may avoid realizing taxable gains. (Investors should consult their tax advisor regarding their specific circumstances.)
- **Flexible Access to Capital:** Many securities-based lending programs offer revolving lines of credit that allow borrowers to draw and repay funds as needs evolve.
- **Streamlined Financing Process:** Because loans are secured by eligible investment assets, the underwriting process can often be more efficient than traditional lending alternatives.

How Financial Advisors Can Add Value Through Lending Solutions

As clients' financial lives become more complex, advisors are increasingly expected to deliver solutions beyond portfolio management alone.

Access to lending capabilities can help advisors:

- Address client liquidity needs without disrupting investment plans
- Enhance holistic wealth management conversations
- Support major life and business decisions
- Strengthen client relationships through expanded service offerings
- Differentiate their practice in a competitive marketplace

By incorporating lending solutions into broader wealth planning discussions, advisors can help clients navigate financial decisions more strategically.

Expanding Access to Flexible Liquidity Solutions

The growing adoption of securities-based lending reflects a broader shift toward integrated wealth management solutions that address both investment and borrowing needs.

As investors seek greater flexibility and advisors look for new ways to deliver value, securities-based lending can serve as an important tool within a comprehensive financial strategy.

AE Wealth Management's recently launched securities-based lending solution is designed to help individuals, trusts, and organizations access capital using eligible investment assets while maintaining flexibility and control over their broader financial goals.

All investments are subject to risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. This content is designed to provide general information on the subjects covered. It is not intended to provide specific investment, legal or tax advice and should not be construed as advice designed to meet the particular needs of an individual's situation. Producers are ultimately responsible for the use or implementation of these concepts and should be aware of any and all applicable compliance requirements.