

Biltmore
Capital
Advisors

Margin Loan Guide

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While margin loans aren't for everyone and present unique risks, they can provide flexible, effective ways to work toward your financial goals.

What is a Margin Loan?

Margin loans are personal loans that people obtain to get cash, borrowing against the securities in their portfolios, such as stocks, bonds and mutual funds. Borrowing on margin is a tool that can potentially generate greater returns, execute investment strategies, and serve as a flexible source of low cost borrowing for personal financial needs.

Typically, margin loans are tied to a variable rate structure and offer more flexibility and more favorable rates than other borrowing sources. You can repay a loan at your own pace, as long as you maintain the required equity in your portfolio. You might be able to deduct the interest against your net investment income.

A margin loan can be a valuable financial tool in the right situation, but you should be aware that it can amplify both profits and losses.

Use of Margin Loans

Margin loans can be used to purchase securities, or for a wide range of personal financial needs, including short-term borrowing and cash-flow needs:

- Take advantage of market opportunities
- Defer capital gains taxes derived from selling securities
- Consolidate or refinance debt
- Pay off a higher rate mortgage or buy more property
- Help pay college costs
- Start a business
- Purchase investment property
- Explore a passion

Requirements for Margin Lending

Initial Equity Requirements

The amount of money you can borrow on margin toward the purchase of securities is typically limited to 50 percent of the value of marginable securities in your account (subject to eligible securities), but can increase for certain bonds. However, it is prudent to borrow less to minimize risk. (Federal Reserve Board Regulation T allows brokerage firms to lend clients up to 50% of the total purchase price of a stock.)

Our custodian further requires that the equity in an account be at least 30% of the current market value of the security (subject to certain restrictions). To begin borrowing, you must have at least \$100,000 in cash or marginable securities in your account with us and be fully aware of the risks that the margin strategy would impose.

We want our clients to fully understand the benefits and risks of a margin loan strategy to determine if it makes sense for your individual situation.

Maintenance Requirements

Once you borrow on margin, you are required to maintain a certain amount of equity in your account, depending on the securities you hold. Typically, that collateral requirement is at least 30% of the total account value, but it can be higher for certain securities or accounts.

Biltmore will calculate your buying power and cash available for withdrawal, and provide you with that information in your account summary.

Margin Loan Risk

At Biltmore, we want our clients to fully understand both the benefits and risks of a margin loan strategy to determine if it makes sense for your individual situation.

Margin borrowing increases your level of market risk.

- If you purchase securities with a margin loan and the underlying value of those securities goes down, you must still repay your loan.
- If the equity in your portfolio falls below the minimum maintenance requirement, you'll have to deposit additional cash or collateral.
- If you cannot meet your minimum, you could be subject to a margin call and we may have to sell securities from your portfolio, with or without your prior approval.

Strategies to Reduce Margin Risks

Before borrowing on margin, you and your Biltmore Financial Advisor will discuss these risks and others associated with margin loans, such as the variable interest rate structure, and hedging with interest rate locks through swaps.

Together, we can develop strategies to reduce these risks and take advantage of the low interest rates offered by Biltmore's custodians. We can also work directly with your tax advisor to see if you qualify to deduct the interest on a margin loan.

Tax Implications

The interest on margin loans may be tax deductible against your net investment income. Investment interest expense is the interest on money you borrow to purchase taxable investments.

The rules for deducting margin interest costs from personal income taxes can be complicated. For example, you may be able to deduct the interest on a margin loan you use to purchase stock against the income you receive from that stock, but not if you use the margin loan to buy a car or tax-exempt municipal bonds.

Meet with a Biltmore Financial Advisor or Request a Quote Online

Talk with an experienced Financial Consultant to learn if our margin program is right for you or to obtain a current rate quote.

Call (888) 391-4563
Contact Us Online biltmorecap.com

Margin Loans vs. Other Lending Options

Increased buying power

Margin trading allows you to leverage the assets in your account to purchase more securities than you would be able to buy on a cash-only basis.

Trading flexibility

Take advantage of timely market opportunities or make investment changes when you want, as long as you maintain the minimum equity required.

Competitive interest rates

Margin loans can be more cost-effective than credit cards or other lending options.

Portfolio diversification

If you hold a concentrated stock position, you can use margin to diversify your portfolio.

Tax deductibility

The interest on margin loans may be tax deductible against your net investment income.

Ready line of credit

You can borrow on margin to meet personal financial needs whenever you want, without extra paperwork, credit checks or approvals.

Flexible repayment schedule

There are no minimum monthly payments on a margin loan as long as you maintain the required equity level in your account.

About Biltmore Capital Advisors

Biltmore Capital Advisors is an independent, SEC registered investment advisor based in Princeton, New Jersey. Our focus is helping families, business owners, and corporate executives with substantial assets realize a lifetime of financial goals.

As trusted fiduciaries, Biltmore's experienced investment professionals are committed to understanding your individual financial circumstances and providing sound long-term solutions with a high level of client service.

Our firm can provide the full range of wealth management services you may require, including investment management, loans, private banking, family office services and specialized solutions. Biltmore's financial planning expertise extends to all major life events.



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Margin loan offered by an unaffiliated broker-dealer FINRA/SIPC member. Individuals must qualify through Biltmore Capital Advisors and their custodian. Margin lending involves a certain amount of risk including but not limited to margin calls caused by a sudden decrease of portfolio assets or an interest rate spike. In the case of a margin call, additional securities would be required in the account or the loan must be paid down using proceeds of existing securities or outside funds. To lock interest rates, SWAP transactions are used. Investors must have a good understanding of a SWAP and meet certain net worth minimums for these transactions to be implemented.