



Leverage and loans: Understanding margin



A background image showing three business professionals walking outdoors. On the left, a woman with long blonde hair is smiling. In the center, a man with dark hair and a beard is looking down at a device. On the right, a woman with curly hair is looking at a smartphone. They are all dressed in business attire. The entire image has a green overlay.

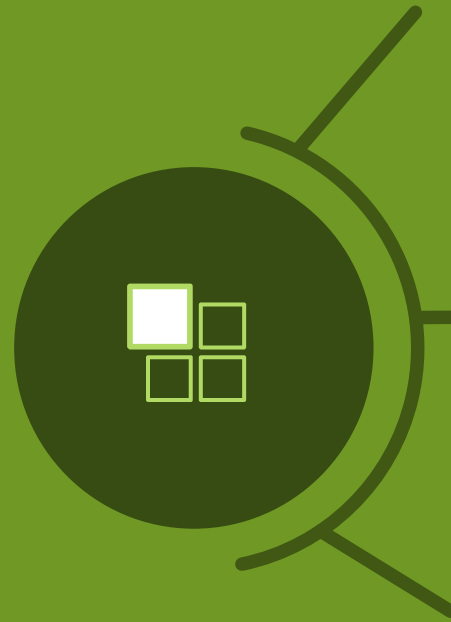
The goal of today's session is to help you better understand a margin loan—what it is and how it can be used.

This is intended to be an introductory session to provide you with information and resources to help make an informed decision when it comes to using a margin loan.



Today's Agenda

What is a margin loan?



Borrowing by using securities as collateral

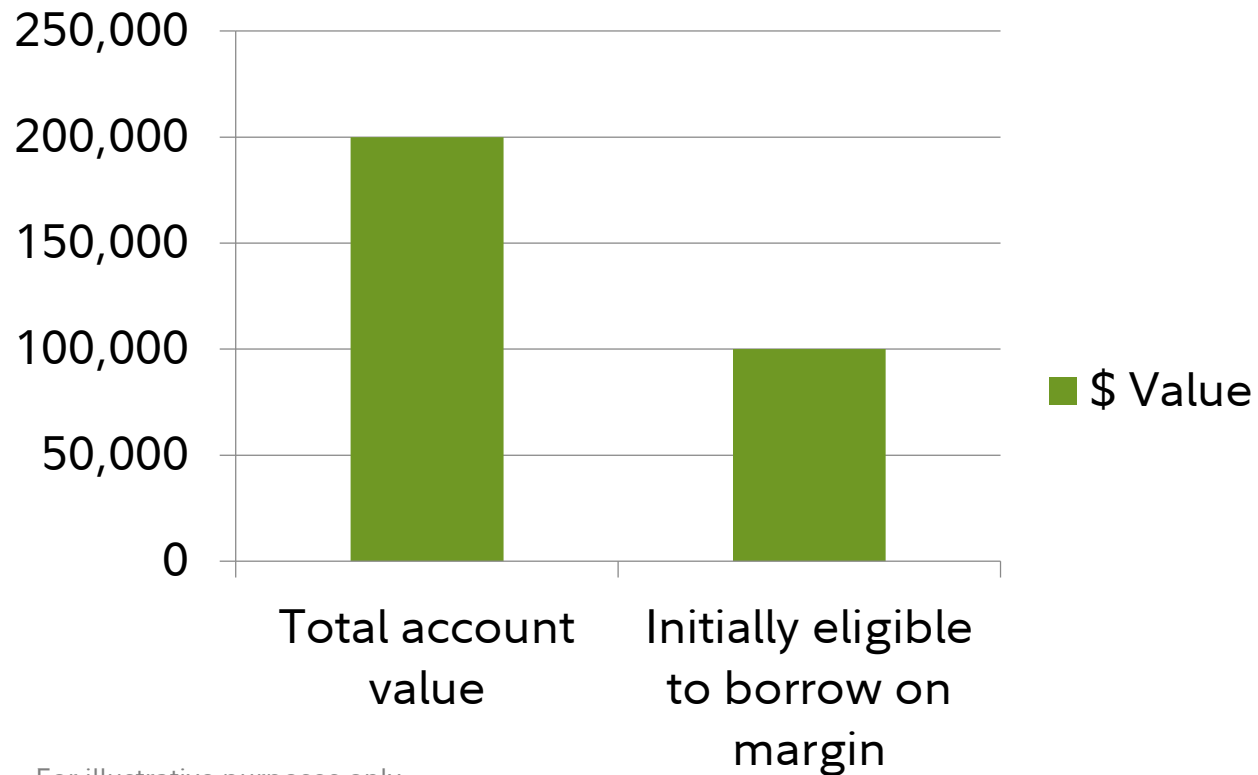
Can be used for a variety of investment and non-investment needs

Used to gain access to funds

Borrowing using securities as collateral



A simple example



Marginable securities include:

- Most **Equities** and **ETFs** trading over \$3 a share
- Most **mutual funds** that have been held for at least 30 days
- Treasury, corporate, municipal, and government agency **bonds**

For illustrative purposes only.

If your margin equity falls below a certain amount based on the amount you have borrowed, then the account is issued a margin call. You may be required to sell securities or deposit funds to meet the margin call, and in some cases securities may be sold without notification to you.

Margin Rates

Interest rates are variable based on a tiered schedule which is determined by the size of the margin loan.

Source: Fidelity.com
For illustrative purposes only

Debit balance	Margin interest rate
\$1 million +	5.000% (3.075% below base rate)
\$500,000–\$999,999	5.250% (2.825% below base rate)
\$250,000–\$499,999	7.575% (0.500% below base rate)
\$100,000–\$249,999	7.825% (0.250% below base rate)
\$50,000–\$99,999	7.875% (0.200% below base rate)
\$25,000–\$49,999	8.825% (0.750% above base rate)
\$0–\$24,999	9.325% (1.250% above base rate)

5.00% rate is available for debit balances over \$1,000,000. Fidelity's current base margin rate, effective since June 15, 2018, is 8.075% and may fluctuate based on the Federal Funds rate.

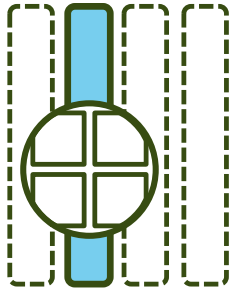
How can a margin loan be used?



Convenient line of credit

Increased trading buying power

Trading on margin



Buying securities on margin allows you to acquire more shares than you could on a cash-only basis.

Increased buying power



Can multiply
your returns
both positively
and negatively

Trading on margin:

Review account balances

Place a trade

Monitor your account

How does leverage work?



Consider this example:

- Stock ABC is trading at \$100/share
- You have a bullish outlook on the stock
- You use \$10,000 cash to buy 100 shares

Stock ABC price jumps 25% to \$125:

- Your investment is now worth \$12,500 and you decide to sell
- Realizing a \$2,500 profit or 25% return on your money

Stock ABC price declines 25% to \$75:

- Your investment is now worth \$7,500-and you decide to sell
- Realizing a \$2,500 or 25% loss on your money

How does leverage work?

Consider this example:



- Stock ABC is trading at \$100/share
- You have a bullish outlook on the stock
- You use \$10,000 cash and a \$10,000 margin loan to buy 200 shares
- Without the margin loan you would've only been able to purchase 100 shares

Stock ABC price jumps 25% to \$125:

- Your investment is now worth \$25,000 and you decide to sell
- You pay back the \$10,000 margin loan
- You have \$15,000 left
- Realizing a \$5,000 profit or 50% return on your money

Stock ABC price declines 25% to \$75:

- Your investment is now worth \$15,000 and you decide to sell
- You pay back the \$10,000 margin loan
- You have \$5,000 left
- Realizing a \$5,000 or 50% loss on your money

A line of credit or borrowing on margin



An alternative
approach to
help meet
financial needs

A few common scenarios:

Real estate transactions

Large purchases

Short-term liquidity

Borrowing for a non-investment need



Consider this example:

- Total account value = \$200,000
- You decide to take a \$50,000 loan

✓ What's the requirement?

$\$200,000 \times .3 = \$60,000$ requirement
.3 or 30% ongoing maintenance requirement

Account equity = \$150,000
(Total account value – margin loan)

✓ What's the house surplus?

Account equity (\$150,000) – Requirement (\$60,000) =
\$90,000 house surplus

✓ What's the max depreciation before a margin call?

$\$90,000 / .7$ (inverse of requirement) = **\$128,571**

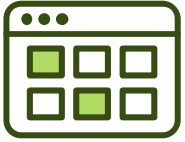
Before you use
margin, be
familiar with



Benefits

Risks

Make the most of these benefits



Consider
these flexible
and simple
features

- ✓ Access cash without having to sell your investments
- ✓ Once approved, you can begin to use it right away
- ✓ No closing costs, annual fees, setup fees, or non-use fees that you may find on other types of traditional loans
- ✓ Pay back your loan by depositing cash or selling securities at any time

Easily access money



Regardless of how
you use margin –
easily withdraw
money

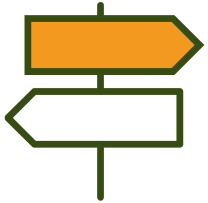
Using account features:

Electronic funds transfer (EFT)

Wire to your bank

Write a check

Know the risks



Review your investment objectives, financial resources, and risk tolerance

- ✓ Amplified losses if the securities in your account decline in value
- ✓ Margin calls or liquidation of securities
- ✓ Losses greater than the original investment are possible
- ✓ Interest rates may rise; increasing the cost of your loan

Be aware of margin calls



Summary Positions Balances Activity & Orders Analysis Performance Manage Cash			
<div><div><div><div></div><div>You have margin calls due.</div></div><div><div>View your Margin Call Summary.</div><div>Open the Margin Calculator.</div></div></div></div>			
AS OF 07/10/2018 1:37 PM ET Download Print			
+ Show All		Current	Change
+ Total Account Value Balance Definitions		\$59,122.24	+\$1,243.20
Available to Trade Balance Definitions			
Margin Buying Power (Fully Marginable Securities)		\$0.00	\$0.00
Non-Margin Buying Power (Options, Mutual Funds, Penny Stocks)		\$0.00	\$0.00
Committed to Open Orders View Orders		\$0.00	
Available to Trade Without Margin Impact		\$0.00	\$0.00
Available to Withdraw Balance Definitions			
Cash Only		\$0.00	
Cash & Borrowing Margin		\$0.00	
- Additional Balances Balance Definitions			
Margin Equity		\$59,122.24	
House Call		-\$2,528.96	+\$745.92
Exchange Surplus		\$20,590.24	+\$932.40
SMA		\$15,535.70	\$0.00

Screenshot is for illustrative purposes only.

What is it?

- A margin call occurs when the account value falls below the minimum required value and your broker requires additional money be deposited.

How do I satisfy a margin call?

- Deposit cash
- Deposit marginable securities
- Sell shares

Where can I learn more?

- Read more about ways to [avoid and manage margin calls](#).

Available resources on Fidelity.com



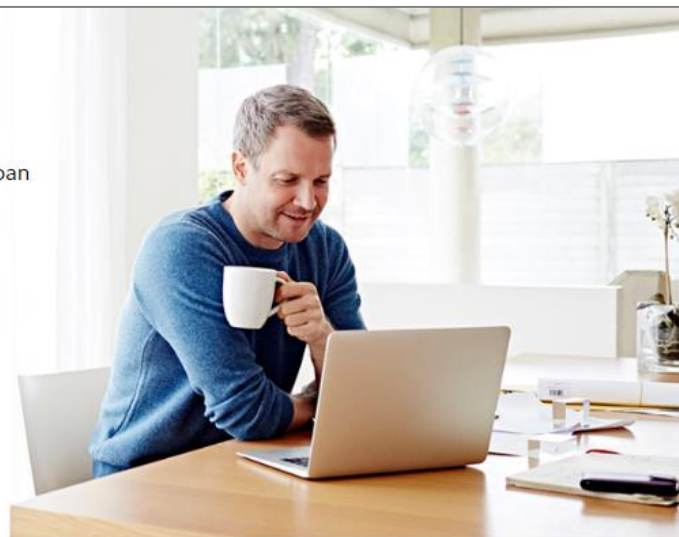
Tips to managing your
account

Where can I learn more?

Margin loans

Whether you need extra money for a short-term financing need or buying more securities, a margin loan may help you get the money you need.

[Apply for Margin](#) 



[Overview](#) [Margin borrowing](#) [Margin trading](#) [Margin rates](#) [How it works](#)

Why use a margin loan?

A margin loan allows you to borrow against the value of securities you already own. It's an interest-bearing loan that can be used to gain access to funds for a variety of reasons that cover both investment and non-investment needs. For either use, carefully consider your personal situation to help determine if borrowing money makes sense for you. In many cases, you might be better advised to simply pay with available funds, or if that is not possible, to not buy it—whatever it is—at all.



Increased trading buying power

Buying securities on margin allows you to acquire more shares than you could on a cash-only basis.

[More details](#)



Convenient line of credit

Margin borrowing can be used to satisfy short-term liquidity needs similar to how you may use a home equity line of credit.

[More details](#)

Margin Loans

Learn more
about margin loans

 [Investment Products > Margin Loans](#)

Source: Fidelity.com
For illustrative purposes only

INDIVIDUAL

Summary Positions **Balances** Activity & Orders Analysis Manage Cash Statements

AS OF 06/04/2018 11:13 AM ET [Download](#) [Print](#)

[+ Show All](#)

	Current	Change
+ Total Account Value Balance Definitions	\$424,573.20	+\$1,032.06
Available to Trade Balance Definitions		
Margin Buying Power (Fully Marginable Securities)	\$475,844.14	\$0.00
Non-Margin Buying Power (Options, Mutual Funds, Penny Stocks)	\$237,922.07	\$0.00
Committed to Open Orders View Orders	\$0.00	
Available to Trade Without Margin Impact	\$52,302.99	\$0.00
Available to Withdraw Balance Definitions		
Cash Only	\$52,251.94	
Cash & Borrowing Margin	\$237,922.07	
+ Additional Balances Balance Definitions		
+ Margin Interest Balance Definitions		

Know where you stand by monitoring the Balances page

Available to trade without margin impact

Focus on key balances that help you determine, "how much can I borrow?"

Balances

How much money can I borrow?

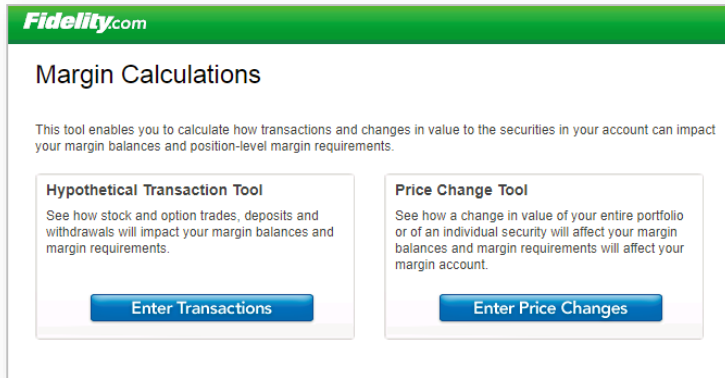
Accounts and Trade > Portfolio

Trading Profile Trade Restrictions & Violations ↗ Commissions & Price Improvement Summary ↗ Account Agreements ↗	Additional Resources Learn More About Margin Set Margin Call Alert Margin Call Summary Margin Calculator
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Access additional tools; FAQs, margin alerts, and margin calculator

Source: Fidelity.com
For illustrative purposes only

Margin calculator



Screenshot is for illustrative purposes only.

What is it?

- A tool that can help you better manage your margin account:
 - View any position's current margin requirements
 - Calculate the impact of hypothetical trades
 - See how price changes can affect your margin requirements and balances

Where can I access it?

- There are two main access points:
 - Balances page under Additional Resources
 - Embedded in the trade ticket

Where can I learn more?

- Review [instructions](#) on how to use the margin calculator

More tools in the kit



Account Balances & Trading Activity Related Links
[View alerts history](#)

[Alert Categories](#) [Manage Email & Cell Phone](#) [Place Alerts on Hold](#) [Fidelity Alerts User Agreement](#)

Alert Setup [Active Alerts \(9\)](#)

Change Category: Account Balances & Trading Activity Go View by: All Accounts Go

[Set Up Selected Alerts](#) You are setting alerts for all accounts.

Select All	Alert	Description
<input type="checkbox"/>	Trade Request Received	Get notified when Fidelity receives a trade request that you have placed.
<input type="checkbox"/>	Trailing Stops	Get notified when a trailing stop order you have placed is triggered.
<input type="checkbox"/>	Contingent Orders	Get notified when a contingent order you have placed is triggered.
<input type="checkbox"/>	Margin Calls, Trading Violations and Option Assignments	Get notified when you need to satisfy a margin call or when your option position is assigned.
<input type="checkbox"/>	Other Margin and Trade Activity	Get notified of other important account activity such as margin sell-outs, buy-ins and bounced checks.

Screenshot is for illustrative purposes only.

Alerts

- Market and account information you need, when you need it
 - Margin Calls, Trading Violations and Option Assignments
 - Other Margin and Trade Activity

Fidelity Learning Center

- Access more margin education



In Review

Next Steps



Fidelity Learning Center

🔗 fidelity.com/learning-center

- Additional articles
- Tools and demonstrations
- Events and webinars

Additional Resources

- U.S. Securities and Exchange Commission ([SEC](#))
- Financial Industry Regulatory Authority ([FINRA](#))

Call Fidelity at 800-353-4881 for more information

Disclosures



Margin trading entails greater risk, including, but not limited to, risk of loss and incurrence of margin interest debt, and is not suitable for all investors. Please assess your financial circumstances and risk tolerance before trading on margin. If the market value of the securities in your margin account declines, you may be required to deposit more money or securities in order to maintain your line of credit. If you are unable to do so, Fidelity may be required to sell all or a portion of your pledged assets. Margin credit is extended by National Financial Services, Member NYSE, SIPC.

If your margin equity falls below a certain amount based on the amount you have borrowed, then the account is issued a margin call. You may be required to sell securities or deposit funds to meet the margin call, and in some cases securities may be sold without notification to you.

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