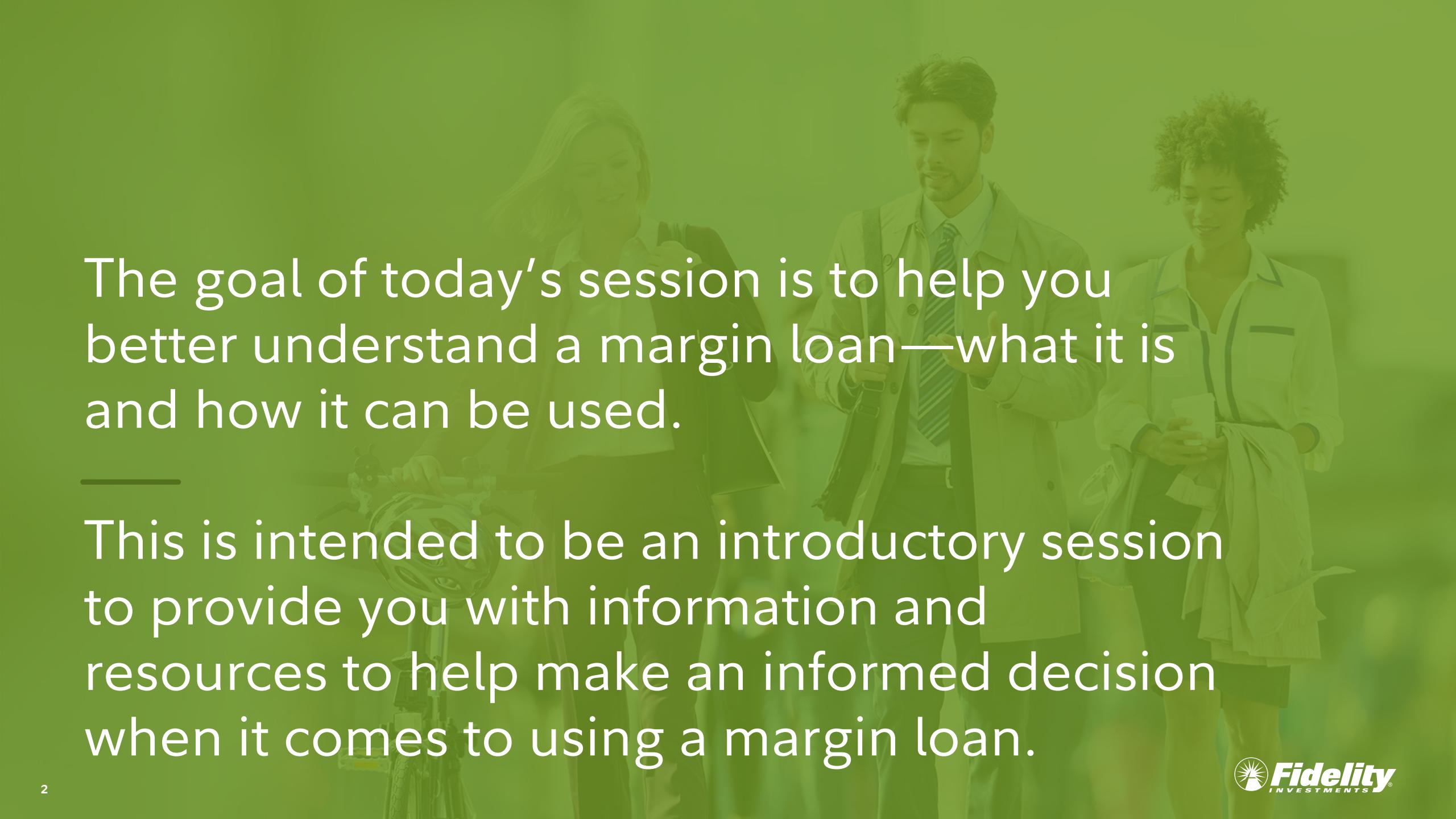




Leverage and loans: Understanding margin





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.

Resources on
Fidelity.com

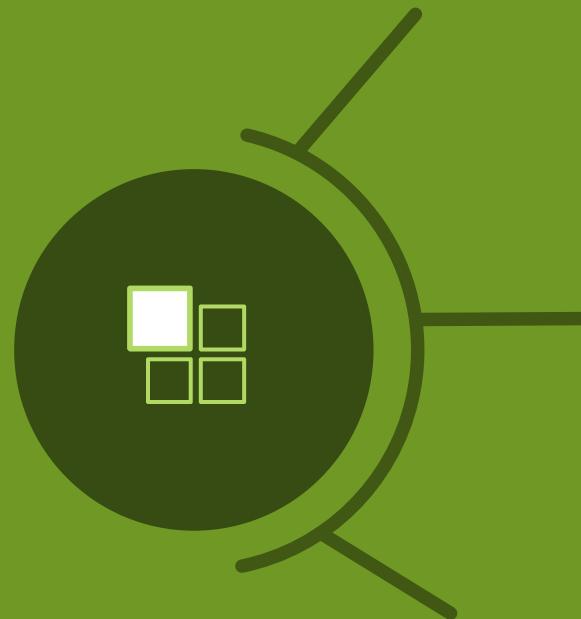
Know the
benefits and risks

What is a margin loan?

How can a
margin loan
be used?

Today's Agenda

What is a margin loan?



Borrowing by using securities as collateral

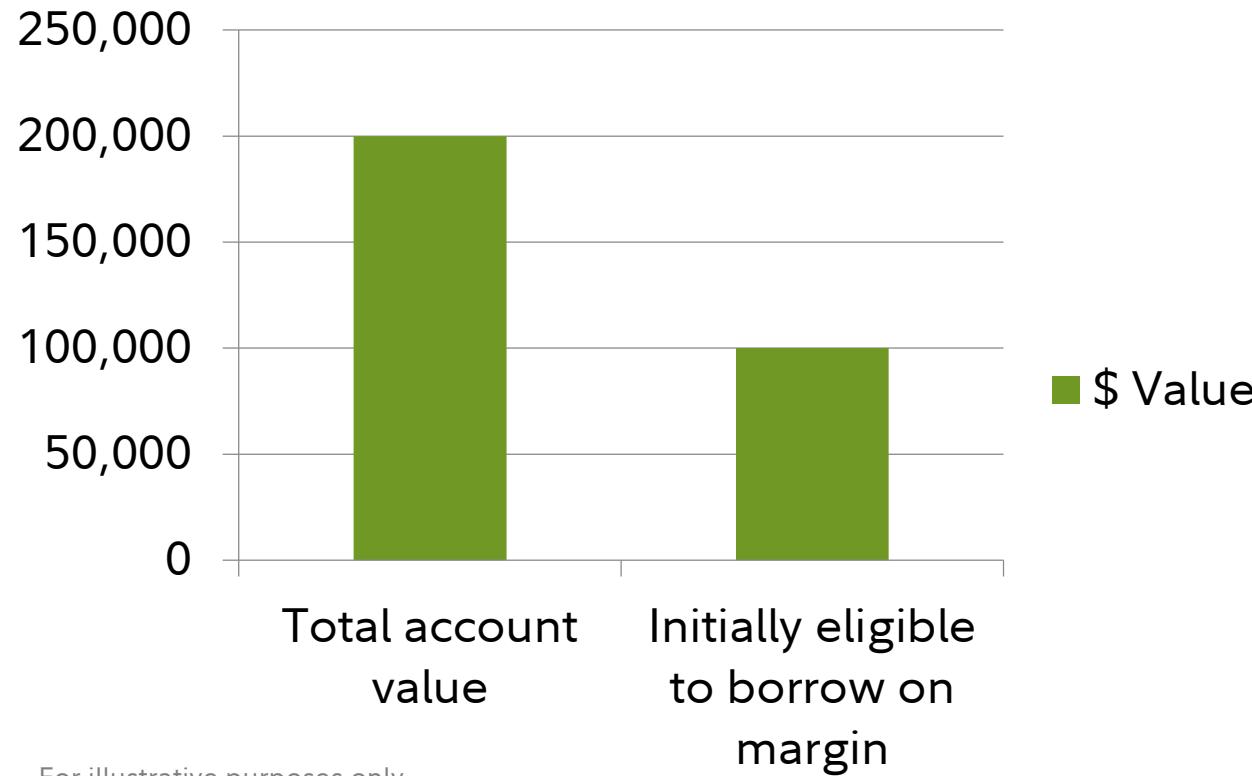
Can be used for a variety of investment and non-investment needs

Used to gain access to funds

Borrowing using securities as collateral



A simple example



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.

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**

Margin Rates

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

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)

Source: Fidelity.com

For illustrative purposes only

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.

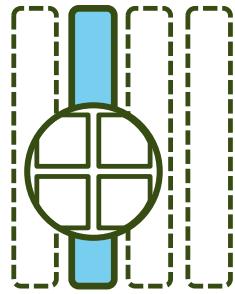
How can a margin loan be used?



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**

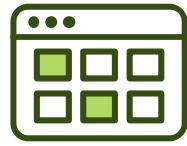
Before you use
margin, be
familiar with



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

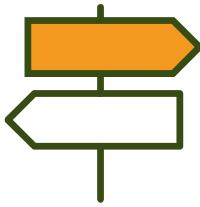
Using account features:

Electronic funds transfer (EFT)

Wire to your bank

Write a check

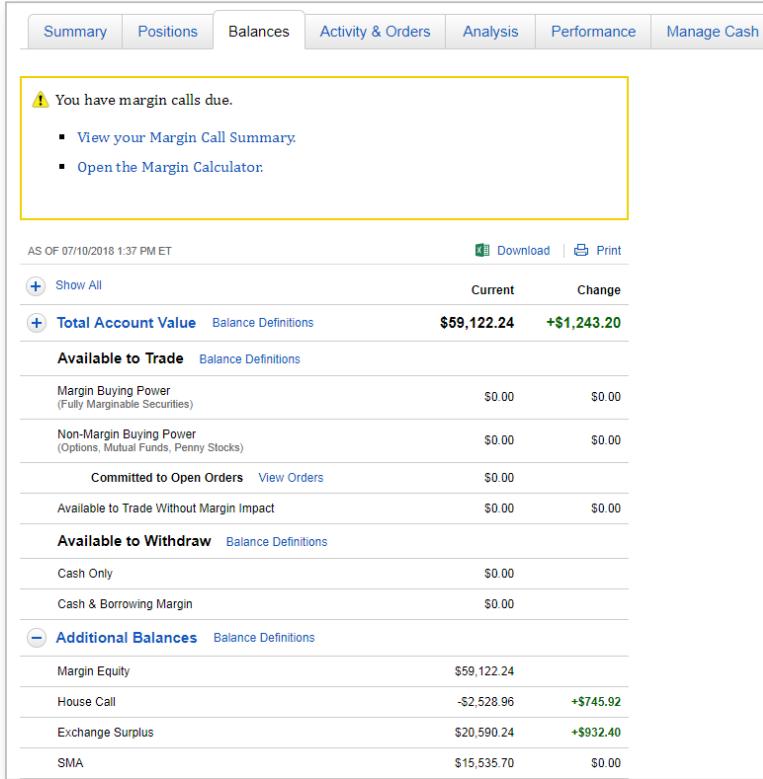
Know the risks



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



The screenshot shows a Fidelity Investments account summary page. At the top, there are tabs for Summary, Positions, Balances (which is selected), Activity & Orders, Analysis, Performance, and Manage Cash. A yellow box highlights a warning message: "⚠ You have margin calls due." with links to "View your Margin Call Summary" and "Open the Margin Calculator". Below this, the page displays account details as of 07/10/2018 at 1:37 PM ET. It includes sections for Available to Trade, Available to Withdraw, and Additional Balances. The "Total Account Value" is listed as \$59,122.24 with a change of +\$1,243.20. The "Margin Equity" section shows a house call of -\$2,528.96 and an exchange surplus of \$20,590.24, resulting in an SMA of \$15,535.70.

AS OF 07/10/2018 1:37 PM ET		
Download Print		
Show All	Current	Change
Total Account Value	\$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

Know where you stand by monitoring the Balances page

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		

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

Access additional tools; FAQs, margin alerts, and margin calculator

Source: Fidelity.com
For illustrative purposes only

Margin calculator



A screenshot of the Fidelity Margin Calculations tool. The interface has a green header bar with the Fidelity logo and the text "Margin Calculations". Below the header, a message states: "This tool enables you to calculate how transactions and changes in value to the securities in your account can impact your margin balances and position-level margin requirements." Two main buttons are visible: "Hypothetical Transaction Tool" (with a sub-note about stock and option trades) and "Price Change Tool" (with a sub-note about portfolio or individual security price changes). Each button has a blue "Enter Transactions" or "Enter Price Changes" button below it.

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

Alert Categories | Manage Email & Cell Phone | Place Alerts on Hold | Fidelity Alerts User Agreement

Related Links
View alerts history

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.

Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

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