

MODULE 3

Broadridge SBL Practice Optimizer

Putting SBL at the Core of Your Business Strategy

Integrating SBL into your practice creates lasting relationships and drives growth.



How SBL provides advisors with a turnkey marketing strategy that expands relationships and builds new business.

Introduction

Investors' intensified search for holistic financial advice and planning ideas has been well-documented. According to one recent Broadridge survey, 60% of investors polled said they would welcome more interactions with their financial advisors.¹ While Millennial investors at 85% led the way among all generational cohorts in their preference for a greater degree of contact with their advisors, a surprising 54% of all investors said they would seriously consider a recommendation made by their advisor through social media.

Open to ideas and ready to talk, today's investors are looking to connect with a financial advisor's wider, holistic vision. This trendline is helping professionals to grow their businesses, whether they are independent practitioners or members of a major financial services organization. Securities-Based Lending (SBL) represents an idea from the liability management side of the client's balance sheet that offers an attractive source of credit that is cost-effective and easy to implement.

THE ADVISOR'S PARADOX

As greater numbers of investors turn to financial advisors to help them with a lengthening list of different financial needs, many professionals face this inconsistency – a strong belief that they will achieve their business goals yet lack sufficient marketing support.

This contradiction was spelled out in a recent Broadridge survey that showed the majority of advisors expressing strong optimism about their near-term business prospects. Yet only 23% said they felt had a marketing strategy that was well-defined enough to help them reach their objectives.²

Commenting on the survey, Michael Alexander, President Wealth Management, Broadridge Financial Solutions said: "Investors are seeking more personalized services in all aspects of their lives. Advisors who define their target audience, understand where they should share relevant content and know how to nurture leads through digital channels are better equipped to engage clients and drive a higher return."

The bottom line is clear: Advisors who take the time to create a defined marketing strategy have the potential to meet and exceed investor expectations. Yet finding the time and technology resources to build and support a formal strategy can prove prohibitive.

PERSONAL DEBT REVEALS MORE ABOUT YOUR CLIENT

SBL strategies provide a value-added way for you to explore and discuss the liability side of each client's balance sheet, an approach grounded in your own familiarity with the highly appreciated investments residing on the asset side of the client's balance sheet.

In the first and second modules of the SBL Practice Optimizer, we explored the SBL concept and the roles it can play. We looked at how investors are increasingly open to ideas like SBL and how relationships can be deepened by meeting a client need that is frequently overlooked: gaining access to liquidity while keeping portfolio objectives on track.

¹Wealth Management 2021: Using Technology to Engage Clients

²Arming Advisors for Success in a Post-2020 World



TAKEAWAYS FROM MODULE 3

After completing the SBL Practice Optimizer: Module 1, you will be able to:

- I. Incorporate lending advice into your holistic offering
- II. Let SBL act as a “Tier 3” differentiator for your business
- III. Put SBL at the core of your prospecting strategy
- IV. Reach out to an expanding number of SBL prospects –including the Affluent
- V. Hone your ability to identify qualified SBL prospects
- VI. Include introductory SBL messages in your client communications
- VII. Establish yourself as an SBL Center of Influence
- VIII. Integrate SBL marketing goals into your business growth strategy

I. INCORPORATING LENDING ADVICE INTO YOUR HOLISTIC OFFERING

Client demand for advice is propelling professionals forward at an accelerating pace. Just as the number of Registered Investment Advisors (RIAs) has grown over the past 10 years, Assets Under Management (AUM) have surged as well.

According to Cerulli’s “U.S. RIA Marketplace 2020” report,³ the RIA advisor headcount across all channels jumped from 14.8% to 22.9% over the past decade. During the same timeframe, RIA AUM grew from \$2 trillion to \$5.7 trillion.

³[U.S. RIA Marketplace 2020](#)

Standing Out From the Crowd

As the landscape becomes more competitive, the race is on to provide a greater variety of ways to meet client demand for a more personalized, holistic financial experience.

While foundational offerings like investment management and portfolio monitoring are intrinsic to any comprehensive client relationship, these services are no longer sufficient for increasing numbers of clients.

Including Both Sides of Your Client’s Balance Sheet in Your Holistic Vision

Advisor success depends on the ability to offer access to a menu of client services that grows over time. In the race to offer more comprehensive client solutions, however, “advisors across all channels are shifting their practices to a fee-based, comprehensive planning model, making it more difficult for advisors to distinguish themselves solely on these issues,” the Cerulli report noted.

While providing clients with financial and estate planning, insurance and risk management and retirement strategies in addition to foundational investment offerings makes good business sense, in their search for a unique differentiator, a growing number of advisors are discovering the advantage that managing the other side of the client’s balance sheet – their liabilities – contributes to a longer-term sense of peace-of-mind and commitment.

II. LETTING SBL SERVE AS A “TIER 3” DIFFERENTIATOR FOR YOUR BUSINESS

When you explore both sides of a client’s balance sheet – assets as well as liabilities – you begin to grasp their debt situation while developing a deeper appreciation for their longer-term goals and desires. SBL provides a fast, frictionless way to connect them with ready liquidity or working capital at a low cost to fulfill these desires.

Clients also appreciate the convenience of a one-stop shop offered by a trusted financial advisor who can offer lending advice as well as investment insights.



Advisors have a range of opportunities to differentiate their service with more sophisticated offerings

SBL Advantages in Growing Your Business

- Keep clients and their AUM close

Use your newfound familiarity with SBL to help your clients when they need access to cash flow. Offer SBL as a proven, under-utilized solution that addresses near-term client demands for liquidity or working capital.

- Help them act faster

An accessible and accurate securities-based lending process – whether through your own organization or a lending network – can provide answers and funding quickly, usually within days - so that your clients can quickly seize opportunities as they arise.

- Reduce financing costs

SBL credit lines offer flexible financing at more attractive interest rates and avoid triggering taxable gains.

- Cement stronger relationships

With SBL, you become a more valuable asset to your clients by adding credit availability and expertise to your services.

III. PUTTING SBL AT THE CORE OF YOUR PROSPECTING STRATEGY

To meet client demand for financial wellness choices like financial planning, risk management, cash flow and other strategies, SBL offers Financial Advisors a convenient inflection point for wealth qualified clients.

SBL, and credit in general, offers many touchpoints that open discussions around each client’s total financial picture.

SBL initiates and evolves client conversations in new and productive directions. By presenting growth strategies for both sides of your client’s balance sheet you join the emerging number of lending advisors who are unlocking the liquidity that lies hidden in equity portfolios – and, in the process, adding new value to client relationships.

IV. REACHING OUT TO THE AFFLUENT

Long favored by Ultra-High Net Worth and High Net Worth clients, SBL credit may represent an attractive idea to the booming class of Affluent pre-millionaires.

This cohort represents “the potential future of HNWI’s” according to [Cap Gemini’s 2020 World Wealth Report](#).⁴ Yet, the report continues, only a third of financial services providers “offered solutions tailored to the Affluent market.” Fifty-five percent, however, said they planned to do so in the near future - an indication that the pressure is on to accommodate this segment as firms start to focus on extending their wealth management products and services to the pre-millionaire crowd.

Under-served and ready to talk to financial advisors,⁵ the important Affluent segment are just one liquidity event, inheritance, stock award or other windfall away from joining the High Net Worth Individual (HNWI) segment.

The responsibilities and consequences of gaining sudden wealth can quickly outstrip the capabilities of robo-advice or other first-time-investor offerings.

About a third of the Mass Affluent, according to Cap Gemini, are also looking for other value-added financial services such as real estate investment advice, estate and tax planning, access to credit and legal consultation.

Such broad-based needs, in effect, can incorporate both assets and liabilities into a single, comprehensive holistic client strategy. Advisors who go beyond pure asset management to offer a personalized service that considers the needs of their clients in the round are better placed to compete and win business.

V. TAPPING INTO YOUR INNER LENDING ADVISOR

With credit at the heart of many bank customer relationships, SBL too should be a core consideration for a comprehensive wealth planning approach.

Taking the first steps toward an SBL sale begins with evaluating the liquidity needs and suitability of your client base:

- 1. Profile the liquidity needs** of your clients by asking about their financing strategies, interest payments, business capital needs, emergency needs, real estate or other purchases.
- 2. Watch for potential investment liquidations** and ask client if they are open to other options if they need liquidity.
- 3. Assess client’s SBL suitability.** Similar to any other borrowing arrangement, it is critical for your client to understand the terms of their loan and the risks involved. Be prepared to answer their questions.

TO KNOW EACH CLIENT’S BALANCE SHEET IS TO OWN EACH RELATIONSHIP

Adding SBL to your array of offerings is similar to putting a sign over your client that tells the world “hands off.”

As credit becomes a pre-requisite for longer-term client relationships, independent financial advisors, wealth managers and other financial professionals will find themselves playing catch-up against competitors that offer access to the working capital, ready liquidity and credit advantages that Securities-Based Lending provides.

⁴ [Cap Gemini’s 2020 World Wealth Report, P 12,13](#)

⁵ [Broadridge Personalizing Advice from a Digital Distance](#)

VI. INCLUDING INTRODUCTORY SBL MESSAGES IN CLIENT COMMUNICATIONS

Incorporating discussions about liquidity or the need for working capital into client conversations allows you to deepen relationships with your current prospects, clients and with the wealth needs of your target base, including, potentially, the Affluent and emerging Affluent segments.

	STARTING POINT	Client Message
<p>Quarterly reviews provide a fertile ground to broaden client conversations</p>	<p>Upside events Positive market actions provide unrealized capital gains that can bolster untapped client wealth</p>	<p>“You had a good quarter. I thought you might like to learn about a solution some of my clients are using to release the liquidity in their portfolios.”</p>
	<p>Downside events Portfolio reviews often touch on market events that have led to downside consequences</p>	<p>“You had a challenging quarter. I thought you might like to learn about a liquidity solution some of my clients are using to build up their rainy-day resources. It is called a Securities-Based Line of Credit and here is how it works.”</p>
<p>Monthly E-Alerts or newsletters address a wide range of topics and ideas</p>	<p>Market overviews This traditional focal point impacts the asset side of the balance sheet. A contrasting liability insight communication adds a new dimension to a conventional economic update</p>	<p>“It is important to keep our eye on the markets’ ups and downs to make sure your portfolio strategy is aligned with your long-term goals. We should also take a quick inventory of your situation on the liability side of your balance sheet equation.”</p> <p>“Should we take a few minutes to see if your emergency funds are adequate and your other liquidity needs are being met?”</p>
<p>Entrepreneurial discussions with business clients</p>	<p>Feasibility strategies Executive meetings can lead to expansion planning and cash flow needs</p>	<p>“You might be interested in an idea a number of my business clients have successfully used to build up a line of credit for expansion or to support cash flow. It is called a Securities-Based Line of Credit and here is how it works.”</p>
<p>Client calls for risk-managed source ready liquidity with a particular concern about stock market volatility</p>	<p>Line-of-credit tip to temper risk SBLs offer flexible access to credit when needed and alerts to monitor values and communicate maintenance calls (those advisors using digital solutions are even-better equipped to manage risk).</p>	<p>“With SBL safeguards, you can draw down less than the maximum amount available to create a buffer in the case of a market downturn. Your portfolio value is monitored daily to manage expectations and risk.”</p>

VII. ESTABLISHING YOURSELF AS AN SBL CENTER OF INFLUENCE

SBL provides many ways to position yourself within your firm's client base or through your outside network as a resource on a variety of subjects including:

- **Cash flow management:** Communicate SBL's capabilities for generating liquidity for working capital and emergency funds to accountants and tax planners in your region.
- **Financing strategies:** Ask other professionals in your network if they could use your help in discussing SBL as part of a working capital initiative or liability consolidation plan.
- **Debt management:** See if your colleagues could use a hand in reviewing client debt loads or if they would find value in information about collateralizing investment portfolios.
- **Tax management:** Show how SBL strategies can avoid triggering capital gains exposures while staying true to portfolio.

VIII. INTEGRATING SBL MARKETING GOALS INTO YOUR BUSINESS GROWTH STRATEGY

SBL addresses three obstacles to successful practice growth:

1. Lack of Strategy

Many advisors report they lack the tools to activate a robust marketing strategy. SBL provides advisors with a turnkey marketing strategy that can accelerate their holistic leap to managing their clients' entire balance sheet.

2. Technology

SBL's ease of digitization incorporates seamlessly with advisor workstations, often enabling loan origination directly in the client meeting. For advisors without an in-house SBL offering, options like the Broadridge Wealth Lending Network make SBL easily accessible.

3. Time

The last significant barrier is finding the time to prioritize marketing. Using SBL Practice Optimizer's messaging platform and tools can speed up the pace of communicating SBL advantages to clients and new prospects, while expanding your holistic capacity to deliver additional value to each relationship.

Securities-based lending is a low-cost, flexible liquidity tool. It is not suitable for everybody and carries certain risk, including but not limited to:

- Only qualified assets may be used – e.g. securities held in a retirement account are ineligible for a securities-based loan
- The proceeds from securities-based lines of credit may not be used to purchase additional securities or to pay down margin
- Interest rates may rise, increasing the cost of borrowing
- Market downturns may cause the value of pledged securities to fall below the loan thresholds, requiring the borrower to pay down the line of credit or to pledge additional eligible securities in order to maintain the loan.
- Securities can be sold (with or without advance notice to the client) to meet maintenance calls at the lenders' discretion, which may cause the borrower to suffer adverse tax consequences
- Financing real estate and other illiquid purchases with a securities-based line of credit carries risk and may not be appropriate for your needs. A complete assessment of your circumstances is needed to help determine the best loan for your purpose
- Always carefully review the loan agreement, which explains the terms and conditions of the loan

SUMMARY:

- Incorporate lending advice into your holistic offering
- Reach out to an expanding number of SBL prospects – including the Affluent
- Hone your ability for identifying qualified SBL prospects
- Include introductory SBL messages in client communications
- Establish yourself as an SBL Center of Influence
- Integrate SBL marketing goals in your business growth strategy

NEXT STEPS:

- **Continue to Qualify Your Client Base** by asking questions like these:
- How likely are you to make a major purchase (such as real estate or for a luxury item) over the next year?
- Do you have outstanding credit that could be consolidated in a lower-cost SBL?
- Are you concerned about having to liquidate investment assets, potentially triggering a capital gains payment to the IRS?

Download copies of our client-use Personal Liquidity Selector to compare and contrast three popular credit choices.

Can you get a perfect score?

Proceed to complete the Pop Quiz for this module.

SBLOCS CAN SMOOTH OUT UNEVEN CASH FLOWS, PROVIDE A BRIDGE LOAN FOR BUYING REAL ESTATE AND EVEN SERVE AS AN ESTATE PLANNING TOOL

MODULE 3 POP QUIZ: DO YOU UNDERSTAND THE BASICS OF SECURITIES-BASED LENDING?

Take the SBL Practice Optimizer challenge for Module #3. Review your answers on the last page.

1. A recent Broadridge survey⁶ highlighted a finding that describes a paradox in which many financial advisors find themselves as they head into 2022. Which of the following describes this paradox?

A. Everyone needs liquidity, yet loans create complications.	
B. Despite being optimistic about their near-term business prospects, few advisors have a marketing strategy to help them reach their objectives.	
C. Advisors like the idea of expanding their business holistically, but many don't know where to start.	
D. Diversification applies equally to debt management as to asset management.	

2. Why are most investment professionals particularly well-qualified for communicating SBL's advantages?

A. They already know the client's portfolio and what it is worth.	
B. They have many colleagues with excellent cryptocurrency ideas.	
C. They work hard to obtain professional designations and licenses.	
D. They realize that selling portfolio assets to pay taxes can trigger further capital gains.	

3. According to a study by Cerulli⁷, over the past decade, AUM in the RIA marketplace almost tripled while the headcount jumped from 14.8% to 22.9%. Why is this significant?

A. The repayment terms on loans is unimportant because the wealthy have so much money.	
B. The landscape is becoming more competitive and is spurring efforts to offer a greater array of products and services to clients.	
C. Many HNW individuals are wondering whether they should put another lien on their primary residence.	
D. Foundational services like portfolio management and monitoring may not be enough to distinguish one advisor from another.	

4. Product and service differentiation can become more specialized as each advisor grows their business holistically. How does SBL help vault advisors into a higher level of differentiation than most of their competition can offer?

A. The importance of offering debt management solutions like SBL to entrepreneurs can open up a new client segment.	
B. Clients should be satisfied if the advisor knows some of the fundamentals underlying financial planning practices.	
C. While planning activities touch on balance sheet issues, it is only when the advisor crosses the bridge to liability management and lending advice that the full client picture can be grasped.	
D. SBL provides a fast, frictionless way to connect clients with ready liquidity or working capital at a low cost.	

5. By not including lending solutions in their offering of products and services, advisors can experience some downside consequences. What are they?

A. Clients will express disappointment to advisor who are not learning or sharing innovative ideas with them.	
B. Clients will turn to other professionals to find the banking and lending ideas they need.	
C. Advisors will miss the opportunity to learn more about their clients and their potential needs.	
D. By their nature, any discussions about debt are sensitive. This opens the door for an advisor to learn about and empower a client's most personal plans for their legacy, their families and the charitable institutions they care about the most.	

6. During a traditional quarterly client review, when would it be appropriate to discuss the debt management side of the client's balance sheet?

A. An upside trend has led to asset appreciation.	
B. Difficulties in the energy sector benefited a client's aggressive short-selling strategy.	
C. Downside market pressures have led to portfolio losses.	
D. Bitcoin rallied before a sell-off late in the quarter.	
E. Following a substantial gain for the quarter, client is searching for an Ivy League college tuition payment strategy.	

7. Which of the following messages does not set the stage for a client discussion about their potential wealth lending needs.

A. "You might be interested in an idea my business clients have used to expand their businesses and pay salaries. It is called Securities-Based Lending."	
B. "I know you are concerned about managing risk. SBL's digitization features integrate seamlessly with my desktop so I can monitor your portfolio value and keep you informed about how to respond to any unusual price moves."	
C. "I don't think anyone understands the collateralization potential of your balance sheet better than we do."	
D. "Ben Franklin may have written 'Neither a borrower nor a lender be' – but he took it from Shakespeare's Hamlet."	

DO YOU WANT TO KNOW MORE?

Expand your knowledge of SBL and its benefits by taking a few minutes more to read these articles.

ARTICLE	DESCRIPTION
LEVERAGE, NOT LIQUIDATE: How Digital SBL Offers a Roadmap to Post-COVID Liquidity	Digitization of SBL through a single platform quickly unlocks capital for those clients looking to acquire a business, make a major purchase, pay taxes and more. Discover why financial institutions are focusing on SBL as a key enabler for client retention and the attraction of new AUM.
As Clients Embrace Holistic Lending, Some Advisors Hesitate	According to a Broadridge Survey of the SBL Industry, 77 percent of private banks polled believe that SBL is a "must-have" product. Here's how both wealth managers and advisors can become advocates for the role debt can play in the prudent expansion of purchasing power.
Unlock your advisors' "Inner Rainmaker" in 2021 with a strong SBL Pipeline	Managing a holistic wealth management strategy that includes optimizing credit as well as client assets not only makes good business sense, it's a demonstrable way to add value to a client's entire balance sheet.

FOR MORE INFORMATION ON

Broadridge's SBL platform and Wealth Lending Network, please contact jeff.leone@broadridge.com or visit broadridge.com/navigator

The Broadridge SBL Practice Optimizer

An introduction to Securities-Based Lending

Module 1

Understanding the basics of Securities-Based Lending

- Define what SBL is
- Understand how SBL works
- List three ways advisors benefit from SBL
- List three ways clients benefit from SBL
- Consider both sides of the client balance sheet
- Weigh the benefits of SBL versus other lending choices
- Set the stage for exploring your clients' liquidity needs
- Begin qualifying potential SBL-suitable clients

Module 2

Finding your first SBL prospect

- View client debt as an overlooked route to greater wealth creation
- Include debt management in holistic client discussions
- Distinguish risk exposures among liability options
- See how portfolio appreciation empowers SBL strategies
- Understand why investors are increasingly open to SBL's advantages
- Discover which prospects are right for SBL
- Begin building your own SBL business development strategy

Module 3

Putting SBL at the core of your growth strategy

- Incorporate lending advice into your holistic offering
- Let SBL act as a "Tier 3" differentiator for your business
- Put SBL at the core of your prospecting strategy
- Reach out to an expanding number of SBL prospects – including the Affluent
- Hone your ability to identify qualified SBL prospects
- Include introductory SBL messages in your client communications
- Establish yourself as an SBL Center of Influence
- Integrate SBL marketing goals into your business growth strategy

ANSWERS

1	B, C: The Broadridge survey showed that while the majority of advisors had an optimistic outlook about their business prospects, only 23% said they felt they had a satisfactory marketing plan for achieving their goals (B). Subsequently, the lack of a plan makes it harder to know where to begin when setting out to establish a more holistic, inclusive client personalization business model (C).
2	A, E: Investment professionals who monitor a client's portfolio progress know what the underlying assets are worth as a prerequisite to their being collateralized. Additionally, they know the capital gains calculus when highly appreciated assets are sold to pay a tax bill (E).
3	A, D: The competitive landscape is pressing advisors to differentiate themselves (A). Foundational services are not considered enough to distinguish one advisor's portfolio monitoring skills from another's talents.
4	A, C, D: Offering debt management solutions like SBL to entrepreneurs can open up a new client segment (A). When advisors are equipped to present lending ideas, they are graduating into the growing ranks of lending advisors – those professionals who endeavor to meet client needs on both sides of their balance sheet (C). SBL offers a proven path to providing clients with the working capital they need (D).
5	A, B, C, D: All of the above.
6	A, B, C, D, E: All of the above. Positive asset appreciation opens the door to discussions about the client's aspirations (A, C, D, E). Downside pressures conversely can open the discussion about managing debt in the event of adversity, i.e., building up an emergency fund or consolidating debt at a lower interest rate (D). SBL strategies offer a conservative way to leverage the untapped equity locked in client portfolios on both the upside and the downside.
7	D: The famous injunction "Neither a borrower nor a lender be" is said by Hamlet's Polonius to his spendthrift son, Laertes. Responsible borrowing takes maturity, vision and adequate collateral – qualities and attributes beyond the reach of youthful, ill-fated Laertes.

Broadridge Financial Solutions (NYSE: BR), a global Fintech leader with \$5 billion in revenues, provides the critical infrastructure that powers investing, corporate governance, and communications to enable better financial lives. We deliver technology-driven solutions that drive business transformation for banks, broker-dealers, asset and wealth managers and public companies. Broadridge's infrastructure serves as a global communications hub enabling corporate governance by linking thousands of public companies and mutual funds to tens of millions of individual and institutional investors around the world. Our technology and operations platforms underpin the daily trading of more than U.S. \$9 trillion of equities, fixed income and other securities globally.

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