

Key Wealth Institute

# Investment Lines of Credit: Good to Have and Good to Use

**Jim Thomas**, National Head of Banking for Key Private Bank

## Access to liquidity is an essential tool in the execution of every wealth plan

Opportunities arise — often unexpectedly — and changes in a family's situation can place a premium on having ready access to cash. But liquidating a portion of your investment portfolio to generate funds can be costly and do significant damage to your investment strategy.

An investment line of credit allows you to leverage the assets in your portfolio rather than selling them to meet cash needs. By borrowing against your holdings, you can let your money continue to work for you and still have liquidity.

### The top four benefits of an investment line of credit

Whether you are looking to fund a new purchase, renovate your home, or meet family expenses, an investment line of credit can be a flexible and cost-effective way to access liquidity. With a credit facility secured by your investment account, you can:

#### 1. Quickly access cash

You'll have ready access to capital without having to liquidate your investments. An investment line of credit gives you the flexibility and convenience to act rapidly without waiting for credit approval.

#### 2. Enhance return potential

Some investors choose to keep a portion of their investments in low-return, short-term investments to meet potential liquidity needs. An investment line of credit enables you to meet your funding demands without sacrificing return potential.



#### 3. Take advantage of opportunities

You can use the funds for a variety of purposes, including real estate purchases, business investments, philanthropy, and lifestyle or family expenses.

#### 4. Manage tax liabilities

When you liquidate holdings to meet cash needs, you're exposed to capital gains taxes. An investment line of credit provides access to liquidity without triggering capital gains or losses, enhancing your ability to manage your exposure to and timing of tax liabilities.

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## Real-world example

Dennis and Anne Clark are evaluating how to access \$2 million to quickly fund purchase of a home in advance of acquiring traditional mortgage financing. The couple currently has a seasoned and highly appreciated \$10 million diversified portfolio of liquid investment securities. They also have a \$5 million line of credit secured by their investments. The Clarks wonder if it is better to liquidate part of their portfolio or borrow using their investment line of credit.

If the Clarks sell \$2 million in their portfolio, they may have to pay capital gains taxes, disturb strategic asset allocation and potentially risk selling out of the market at the wrong time. Funding this short-term need with an investment line of credit helps to avoid these risks.

Make an investment line of credit part of your strategy. An investment line of credit is an effective way to quickly access liquidity without selling investments at inopportune times or draining cash reserves. In many cases, it can be the best solution for meeting your short-term funding needs.

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To learn more about how a line of credit secured by your investments can enhance your wealth management strategy, [please contact your advisor](#).

The Key Wealth Institute is a team of highly experienced professionals representing various disciplines within wealth management who are dedicated to delivering timely insights and practical advice. From strategies designed to better manage your wealth, to guidance to help you better understand the world impacting your wealth, Key Wealth Institute provides proactive insights needed to navigate your financial journey.



## About the Author

Jim Thomas is the National Head of Banking for Key Private Bank. He and his team support clients throughout the country by assisting in appropriately structuring and leveraging credit transactions within the context of a plan that benefits all the client's long-term objectives. He joined Key in 2007, initially as a relationship manager in business banking. Prior to that, he served for many years in retail and commercial banking with another lending institution. A Baltimore native, he earned a Bachelor of Business Administration from James Madison University and an MBA, with a concentration in finance, from Xavier University. He and his family currently live in Fort Myers, Florida. Jim serves on the advisory council of the Harry Chapin Food Bank, which annually distributes more than 12 million pounds of food to recipients in southwest Florida. He is a past Executive Board member of the Southwest Florida Council of the Boy Scouts of America, and is the former district chairman of the Boy Scouts' Seminole District in Southwest Florida.

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Page 3 of 3

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