

Schwab Margin Loans

Flexible liquidity solutions
for investors.

charles
SCHWAB

Own your tomorrow.

Access the funds you need. Maintain your investing goals.

Margin lending from Schwab is a flexible line of credit that allows you to borrow against the securities you already hold in your brokerage account. Because it offers convenient access to cash with competitive rates and a flexible repayment schedule, a Schwab margin loan can be an excellent option for your short-term financial needs.



Did you know?

You can start borrowing on margin with as little as \$2,000 in eligible securities.

Put your portfolio to work.

Sometimes, to take advantage of a timely investment opportunity or for other reasons, you need more funds than you have in reserve. However, generating funds by selling off existing securities or using cash on hand could impact your long-term investing goals. In addition, selling off securities may lead to tax consequences.* One alternative solution is a margin loan.



Did you know?

Margin loans are a standard feature on most Schwab One® brokerage accounts. Generally, no extra paperwork is required.

With margin lending, you can harness the equity you already have in your portfolio to generate the liquidity you need. There may be several advantages to this strategy, including:

Investment-related benefits

- **Purchasing power**—Buying securities on margin allows you to acquire more shares than you could on a cash-only basis. While margin purchases entail greater risk, they also enable you to earn a potentially greater return on your investment capital.†
- **Trading flexibility**—You can take advantage of market opportunities or make investment changes whenever you want.

General benefits

- **Repayment simplicity**—There's no set repayment schedule for margin loans, as long as you maintain the minimum required equity. Margin interest will continue to accrue until your loan is paid off. Generally, you decide when to repay.
- **Quick access to funds**—Schwab margin lending makes it easy to place a trade or withdraw funds using your Schwab One Visa® Platinum Debit Card, writing a Schwab One check, or requesting a check or wire transfer.
- **Tax deductibility**—Interest on margin loans may be tax-deductible but is limited to your net investment income. Consult your tax advisor for more information.

*Tax consequences may include paying income tax on gains from securities bought within the last year or paying capital gains tax on long-term holdings. Please consult a tax advisor for more information about the potential tax implications of any strategy discussed.

†Please see important information on page 6.

Using margin loans for investing.

Our team of investment specialists can provide professional guidance to help you determine if margin borrowing is right for you. While there are many possible reasons to choose a margin loan for investment purposes, the following scenarios represent some real-world examples.†



Did you know?

With an initial equity requirement of typically just 50%, you can double your securities' buying power.



Dan is an investor who closely follows the technology sector. His research showed that a tech stock trading at \$10 a share had an upside profit potential. With only \$1000 of uninvested cash remaining in his account, Dan was able to purchase 200 shares on margin, rather than just 100 shares if he had used cash.



John, an investor, received market insights from a recent investment seminar and wants to diversify his portfolio further. He wants to leverage the significant value of unrealized gains in his account without liquidating positions purchased earlier in the year. John was able to avoid short-term capital gains tax on his portfolio by taking out a margin loan to purchase additional securities to diversify his portfolio.

†Borrowing money on margin for investment purposes increases your level of market risk; the more money you borrow on margin, the greater the market risk.

When you borrow money on margin for investment purposes, you will be charged interest on the outstanding margin loan balance.

When you borrow money on margin for investment purposes, your downside will not be limited to the collateral value in your margin account, and you could owe additional money to Schwab after your positions are liquidated.



Other ways to use margin loans.

A margin loan may be an attractive solution to meet short-term financial needs that are not related to investing. A Schwab investment specialist can help you assess the risks and decide whether margin borrowing is the right choice. The following examples illustrate some of the ways to use margin loans for non-investment purposes.[§]



Did you know?

Borrowing on margin is generally more affordable than an unsecured lending option such as borrowing on a credit card.



As the owner of a small photography studio, Ellen faced consistent monthly overhead costs with seasonal revenue fluctuations. By using her portfolio as a line of credit, she has a cost-effective source of liquidity to cover her operating expenses during low-revenue periods.



After injuring his leg while skiing, Mark needed surgery. Having fully invested his portfolio earlier in the year, he didn't want to liquidate his recently purchased shares to pay for this unexpected medical expense. After exploring other financing options, Mark determined that a short-term margin loan would be the best option.

[§]Borrowing money on margin to pay bills or other expenses increases your level of market risk; the more money you borrow on margin, the greater the market risk.

When you borrow money on margin to pay bills or other expenses, you will be charged interest on the outstanding margin loan balance.

When you borrow money on margin to pay bills or other expenses, your downside will not be limited to the collateral value in your margin account, and you could owe additional money to Schwab after your positions are liquidated.

Important information you should know.

When considering a margin loan, you should determine how the use of margin fits your own investment philosophy. Because of the risks involved, it is important that you fully understand the rules and requirements involved in trading securities on margin.

Interest

- You will need to pay interest on the amount of the margin loan.
- You should compare the interest rates of the margin loan and other lending options.

Call a Schwab Investment Specialist at **1-877-752-9749** for information about Schwab's latest margin interest rates.

Greater risk

- Margin trading increases your level of market risk.
- Your downside is not limited to the collateral value in your margin account.
- You should borrow less than the maximum amount allowable in your account and consider setting your own personal maintenance level.

Margin calls

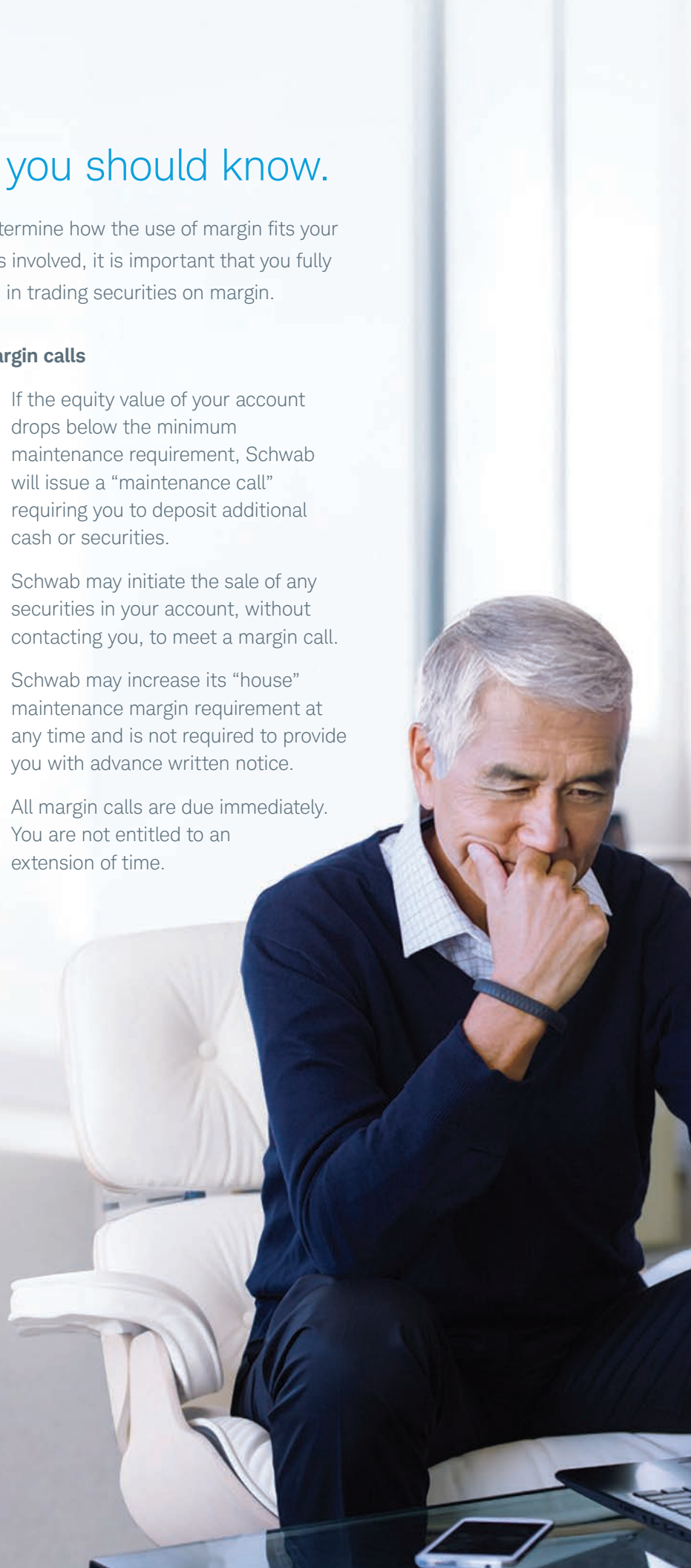
- If the equity value of your account drops below the minimum maintenance requirement, Schwab will issue a "maintenance call" requiring you to deposit additional cash or securities.
- Schwab may initiate the sale of any securities in your account, without contacting you, to meet a margin call.
- Schwab may increase its "house" maintenance margin requirement at any time and is not required to provide you with advance written notice.
- All margin calls are due immediately. You are not entitled to an extension of time.



Did you know?

Borrowing on margin can help mitigate tax consequences because staying invested and not liquidating securities may help avoid unnecessary taxes.**

**Please consult a tax advisor for more information about the potential tax implication of any strategy discussed.



Explore margin loans.

To learn more about Schwab's competitive rates and pricing details, talk to a Schwab Investment Specialist at **1-877-752-9749**.

Before you begin using margin, you should read *The Schwab Guide to Margin* and Schwab's Margin Disclosure Statement, which can be found at [schwab.com/marginloans](https://www.schwab.com/marginloans). They cover key information, including requirements, strategies, benefits, and risks.

How margin loans work.

Margin loans can increase your profits as well as your losses. The following is a hypothetical example and does not include trading fees and taxes.

Sample investment scenario.

A gain without margin

You pay cash for 100 shares of a \$50 stock.	-\$5,000
Your stock rises to \$70, and you sell 100 shares.	\$7,000
Your gain	\$2,000

A gain with margin

You pay cash for 100 shares of a \$50 stock.	-\$5,000
You buy another 100 shares on margin.	\$0
Your stock rises to \$70, and you sell 200 shares.	\$14,000
You repay your margin loan.	-\$5,000
You pay margin interest. ^{††}	-\$400
Your gain	\$3,600

A loss without margin

You pay cash for 100 shares of a \$50 stock.	-\$5,000
Your stock falls to \$30, and you sell 100 shares.	\$3,000
Your loss	-\$2,000

A loss with margin

You pay cash for 100 shares of a \$50 stock.	-\$5,000
You buy another 100 shares on margin.	\$0
Your stock falls to \$30, and you sell 200 shares.	\$6,000
You repay your margin loan.	-\$5,000
You pay margin interest. ^{††}	-\$400
Your loss	-\$4,400

^{††}Example uses a hypothetical, simple interest rate calculation at a rate of 8.00%. Actual interest would be higher due to daily compounding that is charged monthly to the account. The example assumes the loan amount remains constant and is outstanding for 12 months. The gain and loss amounts do not include commission charges. Commissions and taxes have not been included in these illustrations, but affect final outcomes and should be always considered.

To see if margin loans are right for you:



Call 1-877-752-9749
to discuss possible
scenarios and next steps.



Visit a Schwab branch
near you.



Go to **schwab.com/
marginloans**.

Brokerage Products: Not FDIC-Insured ■ No Bank Guarantee ■ May Lose Value

The information provided here is for general purposes only and should not be considered an individualized recommendation or personalized investment advice. The investment strategies mentioned here may not be suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decision. Please consult a tax advisor for more information about the potential tax implications of any strategy discussed.

Borrowing against securities can be risky and may not be suitable, or feasible, for all investors. Market conditions can magnify any potential for loss. Before entering into a securities-based loan, you should understand the following risks:

- The loan may be called at any time and for any reason.
- Sufficient collateral must be maintained to support your loan(s) and to take future advances.
- Collateral maintenance requirements may be increased at any time without notice. This may require deposit of additional eligible securities or funds for investment on short notice.
- Some or all of your securities may be sold without prior notice in order to maintain account equity at requirement maintenance levels. You will not be entitled to choose the securities that will be sold. These actions may interrupt your long-term investment strategy and may result in adverse tax consequences or additional fees being assessed.

Schwab reserves the right not to fund any advance request due to insufficient collateral or for any other reason.

Your Financial Advisor may be compensated in connection with securities-based loans, based upon the interest rate and outstanding balance of your loan. The information contained herein should not be construed as a commitment to lend.

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