

Talbot's Top Tips for Advisors on Responsible Leverage

Talbot Stevens is Canada's leading expert in the research and education of responsible leverage. Following are his top ten suggestions for advisors when using leverage.

1. Put the **client's interests first**, 100% of the time. Service clients with the integrity and disclosure that *you* would want. This will also make you the most money ... in the long run.
2. Only suggest and **implement responsible leverage**, where the client can handle the tough times with negligible financial and emotional stress.
 - Start small, and stay conservative until experience and the investment value increases.
 - Use a maximum of 50% of available cashflow for leveraging.
 - Instead of trying to get 10% of clients using 100% of their leveraging capacity, educate 20% of clients about using 10% of their capacity.
3. **Over-educate**. Professionally ensure the client fully understands the downside, the 7 leverage-related risks, and how to reduce them.
4. **Under-promise**. Emphasize projections with slightly pessimistic assumptions, with higher-than-expected interest costs and lower-than-expected returns.
5. **Exceed the requirements** of regulators and your compliance department. Establish your own professional standard for client education, suitability, and documentation.
6. **Provide personalized projections** for the client's unique situation, using a range of conservative returns.
7. **Prove** that the use of leverage **is suitable** for the client's goals, to protect the client and your business, with a Leverage Suitability Checklist.
8. **Ensure** the client is **emotionally ready**, able to deal with a market drop of 30% or more.
9. **Eliminate margin call risk**, using loans where there is no margin call, or having additional funds to protect against a 50% drop.
10. **Diversify**, using several (global) funds. Consider seg funds for older clients, mostly for the death guarantee.



Follow these strategies and you can grow your business in a professional way.

Talbot Stevens is a financial educator, author and industry consultant. To learn about other educational resources including seminars, pamphlets, booklets, books, analysis software and more, please call us at (519) 663-2252 or visit www.TalbotStevens.com.