

# Talbot's Top Tips for Advisors on Responsible Leverage

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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](http://www.TalbotStevens.com).