

Talbot's Top Tips for Advisors on Conservative Leverage

Talbot Stevens is Canada's leading expert in the research and education of conservative 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 conservative leverage**, where the client can handle the tough times without financial or emotional stress.
 - Start small, and stay conservative until experience and the investment value increases.
 - Use a maximum of 50% of available cashflow for leveraging, so the client can handle higher interest rates.
 - Initially, use a maximum of 50% of the loan amount that the client qualifies for. Consider averaging in.
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 the securities commission 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 40% 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. "**Help a Friend**" by sharing these ideas with a colleague. Talbot Stevens is the author of the booklet *Dispelling the Myths of Borrowing to Invest*, and Leverage Professional software. To learn more about special discounts on Talbot's products and services, please call (519) 663-2252, email info@TalbotStevens.com, or visit www.TalbotStevens.com.