Market Linked CDs

Some Benefits and Risks of Adding FDIC Insurance to Your Investment Allocation

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INDEPENDENCE SQUARE ADVISORS

Are you worried about recent market volatility, or dropping investment account values?

Did you know that there's a way to get:

1. FDIC insurance against loss of principal and
2. Participate in the upside potential of investment markets?

Market Linked Certificates of Deposits could be a smart component of a well-diversified investment strategy.

Market Linked CDs or MLCDs for short, are often considered by investors who are concerned about protecting their investment but also fear missing out on possible growth.

MLCDs are FDIC insured against loss of principal at maturity and offer upside growth potential

Q: What is FDIC Insurance?

A: The FDIC (Federal Deposit Insurance Corporation) is an independent agency of the United States government that protects you against the loss of your insured deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the United States government Source: www.fdic.gov

- $250,000 coverage per depositor, per covered bank
- $500,000 coverage for a joint account per bank

Example:

A joint account with two owners, and Market Linked CDs from two different banks would have principal protection from the FDIC up to $1,000,000 (2 people X 2 banks X $250K)
But, coverage is only the principal investment, and previous gains shown on statements are not guaranteed

Here's How They Work

When you invest in a MLCD, your money is divided into two parts by the bank.

Part 1

The first part is usually invested in a zero-coupon bond that provides principal protection at maturity because the maturing value is equivalent to the initial investment.

Part 2

The second part is invested in Call Options that provide a performance link to an underlying reference asset (such as stocks or bonds).

Part 1 provides principal protection part 2 provides growth potential.

Like traditional CDs, the principal amount due at maturity (and accrued interest, if any), are guaranteed by the FDIC up to the applicable limits. Even if the performance was negative, your original investment amount is protected.

But, only your principal is guaranteed and you can lose gains that were previously shown on a statement due to market fluctuations.

MLCDs can appeal to many different type of investors.

Some of the benefits are:

- MLCDs are FDIC insured and offered by some of the nation’s largest, and well-known banks

- They allow you to invest and have the potential for higher returns than traditional CDs while offering you the financial confidence of knowing that they are principally protected through FDIC insurance if held to maturity. However, there is no guaranteed that any amount in excess of the principal. invested will be paid and MLCD maturity

- They have some of the growth potential of investment markets

- And they usually Have Terms between 3 and 7 years

LPL Financial is an Independent Firm with no Proprietary Products

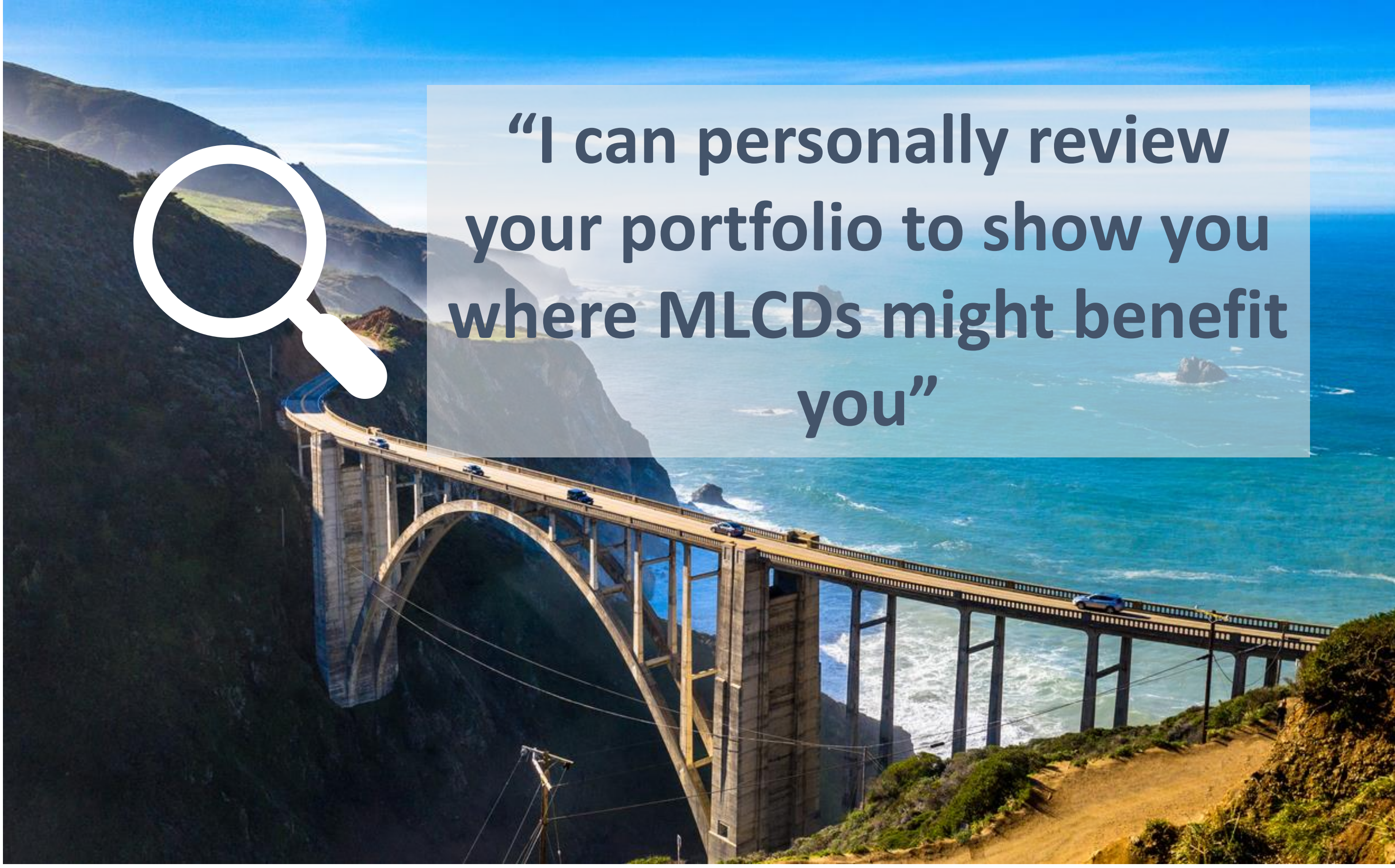
Rates From

10 + banks

Including:

- JPMorgan
- Wells Fargo
- Goldman Sachs
- Morgan Stanley
- Bank of the West
- BNP
- Citi
- Barclays
- HSBC

*As of 3/30/2020. Banks may be added and/or removed at any time.



About Brent:

- Has helped clients better strategize since 2005
- MBA from NYU (2015), emphasis in Finance and Economics
- Holds series 7 and 66 registrations with LPL Financial, and has a Life Insurance license, all to offer clients a broad solution set
- Lives in North County, San Diego, with his wife Barbara

About LPL and Independence Square Advisors:

LPL Financial

- LPL is the nation's largest, Independent broker dealer according to Financial Planning Magazine, based on total revenue (June 1996- 2019)
- With headquarters on both coasts, LPL Financial supports financial advisors in helping their clients by offering a robust mix of services and tools

INDEPENDENCE SQUARE ADVISORS

- Independence Square Advisors has over 25 Wealth Advisors
- Offices in San Diego and Philadelphia
- Our independence from proprietary relationships allows our clients to feel truly confident

NO. 1 IN CUSTOMER LOYALTY

LPL and its advisors were ranked No. 1 in customer loyalty out of 30 leading financial distributor firms in the Market Strategies International Cogent Reports 2017 Investor Brand Builder study. The study also explored key drivers of investor loyalty, and LPL ranked No. 1 in satisfaction with all of the top five areas: **quality of investment advice; financial stability; easy to do business with; range of investment products and services; and retirement planning services.**[5]

LPL FINANCIAL ACROSS AMERICA

Let's Get in Touch

Some of the risks include:

Liquidity Risk: Liquidity risk will exist if the issuer chooses not to maintain a secondary market. Available liquidity may vary by issuer. Some issuers may maintain daily liquidity while others may be more limited. Early withdrawal is generally not permitted.

Secondary market risk: Investors who sell MLCDs prior to maturity are subject to secondary market risk including the risk of loss, as the market price may be less than the initial principal or face value. There is no guarantee of principal return unless the MLCD is held to maturity.

Credit risk: any amount higher than the maximum amount insured by the FDIC is an obligation of the issuer and is not insured by the FDIC. ,This portion is subject to the credit and claims paying ability of the issuer.

Call risk: a MLCD may be callable at the option of the issuer. If the issuer exercises that option, the client will only receive the applicable call price and will not receive any interest payments that would have been payable for the remainder of the term of the MLCD.

May not pay periodic interest payments: Some MLCDs pay a contingent interest payment only at maturity while other pay a variable interest rate ranging from zero to the pre-determined maximum amount, periodically depending on the performance of the underlying reference asset or index.

Opportunity Cost: can be defined as the forgone “risk-free rate of return” that would be received if the principal was invested in other fixed income investments.

No early redemption: MLCDs should be purchased with the intention of holding them until maturity. Some MLCDs may offer an early redemption opportunity, allowing holders the option to redeem prior to maturity. Generally, MLCDs held to maturity are entitled to full return of the principal amount invested. A secondary market for the MLCDs may develop, although there is no guarantee that any person will maintain a secondary market.

FDIC insurance does not protect against the loss if the MLCD is sold or redeemed prior to maturity. Furthermore, FDIC insurance applies only to the principal amount and the accrued interest, if any, of the MLCD. FDIC insurance protects the deposits up to $250,000 for all deposits held in the same legal capacity per depositor, per institution. MCLD's are FDIC insured if held to maturity, any amount that exceeds the FDIC limits is subject to the credit and claims paying ability of the issuer. FDIC insurance does not protect against loss if the MLCD is sold or redeemed prior to maturity

Participation limits: Some Market-Linked CDs limit participation in any appreciation of the underlying asset, capping potential return. In addition, even if the underlying asset is linked to equities, investors will not receive any dividend income. Tax considerations. There are important tax considerations related to Market-Linked CDs, both during the term of the product and at maturity. Consult your tax advisor before investing in any Market-Linked CD

There are a wide variety of MLCD’s with attributes that affect their risk and potential rewards. Before making a decision, you should obtain advice from your financial, tax and legal advisors for information about the analysis of the investment, its risks and its suitability in your particular situation

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