



# MARKET-LINKED CDs

## What is a Market-Linked CD?

A Market-Linked Certificate of Deposit, known as a MLCD, is a FDIC-insured\* certificate of deposit that is linked to the performance of one or more securities or market indices. With Market-Linked CDs, clients have the reassurance of FDIC-insured\* principal, with the potential to earn greater returns than traditional CDs. Common offerings of Market-Linked CDs include rates of return that are linked to: a leading stock market index or indices, a basket of selected individual stocks, a combination of commodity market indices, and international market indices.

## Key Features of MLCDs

- FDIC Insurance\*
- 100% principal protection when held to maturity
- Potential for attractive returns; pays variable rate based on the performance of underlying asset(s)
- Upside growth potential with limited downside market risk
- CDs available for both income and growth investors, as well as those seeking exposure to a variety of markets
- Estate feature
- IRA eligible
- Avoidance of probate

## Why Invest in a MLCD?

MLCDs provide exposure to a wide range of asset classes, during a specific time period, while still providing principal protection if held to maturity. A MLCD can aid in portfolio diversification.

## Who Are the Typical Investors in MLCDs?

MLCDs are applicable to a variety of investors including clients planning for retirement, higher education, as well as investors seeking to grow their wealth. Investors should not purchase MLCDs unless they are able to bear and understand the risks associated with the market, liquidity and yield. MLCDs are not suitable for all investors, and purchasers of MLCDs should be buy-and-hold clients seeking participation in the performance of the underlying market asset(s).

## What are the Risks of MLCDs?

**Market Risk:** MLCDs are linked to the performance of specific underlying assets. If the underlying assets perform poorly, the return of the MLCD will be adversely impacted and could, depending on the terms of the MLCD, result in no return above the principal amount.

**Performance Risk:** The MLCD pays a return based upon the performance of the underlying asset(s). The MLCD return may be different than the return of the underlying asset. Reasons for the difference may be related to the specific terms of the MLCD such as interim caps, averaging, and rates of participation.

**Liquidity Risk:** Investors may be subject to early redemption fees if the CD is redeemed prior to maturity, which may result in receiving proceeds less than the full principal amount. In addition, redemption amount will be based on current market value, not par value. The issuer makes no guarantee of a secondary market.

**Credit Risk:** MLCDs in excess of the applicable FDIC insurance limits are subject to the credit risk of the issuer. Clients should be aware that only the principal amount of the MLCD is insured.

**Call/Reinvestment Risk:** Some MLCDs are callable by the issuer. The issuer is not obligated to redeem a callable CD, and will typically call a MLCD when it is most advantageous for them to do so. If the MLCD is called, it is possible that the investor may be unable to reinvest the redemption proceeds at the same or greater yield.

For a full explanation of risks involved with MLCDs, see relevant offering documents.

## Additional Considerations

**Fees:** Distribution fees and costs associated with creating and hedging the MLCD are likely to adversely affect the price at which clients can sell or redeem their MLCD prior to maturity.

**Tax Treatment:** For tax purposes, MLCD returns are considered interest income and taxed at the holder's ordinary income tax rate. There is no assurance of gain.

\*Up to \$250,000 per issuer, per depositor, per account ownership when held to maturity

## **About Navian Capital**

Navian Capital is a distributor of structured products and annuity solutions to both bank and independent B/Ds as well as RIAs. We see our clients through the development, implementation, and marketing of proprietary and nationally-issued investment solutions. Established in 2005, Navian Capital is headquartered in Cincinnati, Ohio, with locations in New York, Boston, Naples, Louisville, Seattle, and Los Angeles.

## **Important Considerations**

The Market-Linked CD may not be a suitable investment for all investors. In particular, no investor should purchase a Market-Linked CD unless they understand and are able to bear the associated market, liquidity and yield risks. Principal is not guaranteed if the CDs are not held to maturity. For tax purposes, Market-Linked CD returns are considered interest income and taxed at the holder's ordinary income rate. There is no assurance of gain. Returns on the CDs may not necessarily reflect the full performance of the Reference Securities or index and may be lower than a direct investment in the Reference Securities or index due to possible performance caps. Investor owns the CD, not the underlying stocks or index, and will not have any dividend or shareholder rights in any of the companies included in the equity basket or index. Some MLCs may be callable by the issuer. Market-Linked CDs are generally illiquid and may have longer maturity periods than certain other more traditional CDs. Market-Linked CDs subject investors to specific risks associated with the market to which performance is linked. FDIC insurance provides only principal protection and does not cover returns lost due to market volatility. Generally, the price at which an investor buys a Market-Linked CD includes certain embedded costs. These costs can include distribution fees paid to selling agents, hedging and structuring fees incurred by the product issuer for assuming risks obligations under the CDs. See Term Sheet and Disclosure for complete details prior to any purchase.

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