

Financial Leverage

Invested Thinking: Wealth Strategies by Turicum

3.5 minute read

Introduction

Financial leverage can be a valuable tool in wealth management, allowing clients to access capital and increase their investment capacity. At Turicum Private Bank, we view leverage as a strategic consideration within a wider wealth plan. Used appropriately, borrowing capital can enhance returns, adjust asset exposure, and provide liquidity without forcing the sale of existing investments.

At the same time, leverage introduces additional risks and requires careful planning and monitoring.

As with all financial decisions, the balance lies in understanding the potential benefits and the inherent risks that accompany debt.

The advantages of borrowing

Leverage enables clients to access funds for investment or liquidity while retaining their existing portfolio. It can be used to finance property acquisitions or gain additional exposure to liquid assets, to increase return potential where the cost of borrowing is lower than the expected return on investment, and to provide flexibility to meet cash flow requirements while maintaining existing holdings.

Portfolio role: When managed prudently, borrowing can support growth and diversification, allowing portfolios to remain invested while funding other objectives.



The risks of indebtedness



Debt also introduces obligations and exposure to external events. Rising interest rates, market downturns, or over-indebtedness can all negatively impact returns and/or create a strain on finances.

Portfolio role: Borrowing should be assessed in relation to the client's overall wealth, risk tolerance, and liquidity profile. Debt can amplify performance in both directions, magnifying gains but also increasing losses.

Mortgage lending

Mortgages are the most familiar form of leverage. At Turicum, we offer tailored mortgage solutions for residential and investment properties in Gibraltar. Mortgages enable the acquisition of long-term real estate assets, to be held for either income-generation or personal use.

Portfolio role: Mortgages provide clients with the ability to leverage real estate for investment, while preserving their other bankable assets, making property an integral part of a diversified portfolio.

Your home may be repossessed if you do not keep up repayments on your mortgage or other loans secured against it.



Lombard loans



Lombard lending, which consists of borrowing funds secured against liquid assets such as securities, can offer great benefits to sophisticated investors. It allows clients to gain greater exposure to certain assets without the need for additional capital. It also enables access to liquidity without selling investments, provided that collateral values are sufficient.

Portfolio role: Lombard loans provide liquidity for personal or investment needs while allowing clients to remain fully invested. However, they require active monitoring of collateral values and can result in margin calls in volatile markets.

Turicum's approach to leverage

At Turicum Private Bank, providing leverage to clients is considered as part of a broader wealth strategy. We assess both the benefits and the risks of borrowing in the context of each client's financial situation, structuring debt facilities to reflect individual objectives, liquidity needs, and tolerance for risk. Borrowing facilities are reviewed regularly to assess their suitability under the prevailing market conditions.

By offering mortgage lending and Lombard loans, we allow clients to use leverage responsibly and effectively.

Conclusion

At Turicum Private Bank, we support clients with their borrowing requirements as part of a structured, long-term wealth strategy, always balancing opportunity with responsibility.

Financial leverage can be a powerful tool when used appropriately.

For a detailed breakdown of the benefits and risks associated with these investment options, please refer to [Turicum's Products & Services Booklet](#).

Let's build your tailored investment strategy together.

Get in Touch →

Important Information

This material does not constitute financial advice. All lending is subject to eligibility, affordability assessments, and our lending criteria. Interest rates may vary in line with market conditions. Additional fees and costs may apply, which will be detailed in your mortgage illustration. Your home may be repossessed if you do not keep up repayments on your mortgage or other loans secured against it. Our mortgage solutions may include regulated contracts under Gibraltar law, subject to eligibility and applicable regulations.

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