



# The Use Of Margin Accounts To Supplement Cash Flow

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**T**he financial destruction resulting from lockdowns has left many individuals and small business owners with the harsh reality of having to sell assets in order to pay rising expenses and to protect their business from bankruptcy. Investors who have been struggling with rising interest rates, along with a steep rise in the cost of living, may have used up their lines of credit and/or maxed out their credit cards, and now must sell assets in order to meet their monthly living expenses.

Statistics from the Investment Funds Institute of Canada (IFIC) reveal that mutual fund net redemptions in May 2022 totaled \$6.4 billion, escalating the investor pull-back in April that saw net redemptions of \$4.9 billion. In [June 2022, billions in investor withdrawals from Canadian mutual funds were seen according to the Wealth Professional.](#)

BMG Group Inc. (BMG) has managed mutual funds for 22 years, and the redemptions this year have been the highest in history. When speaking with investors, we are advised that the reason for redeeming is because investors needed the money and were being forced to liquidate. It was not about reallocating to other investments or rebalancing their portfolio.

Margin accounts tend to have negative connotations for most investors, because using a margin account to leverage the purchase of additional securities can be risky if the investment declines. Most investors don't realize that a margin account can have several functions. Margin accounts can leverage securities they already own to purchase additional securities, sell securities short, or access a line of credit to avoid selling their investment.

















If margin accounts are used to obtain a line of credit, it is like a secured loan on real estate.

Many investors have the mistaken notion that using margin is very risky. That is true if you have \$100,000 in capital and you borrow on margin to invest \$150,000. If the asset declines by 10% you will get a margin call for \$15,000 or be forced to sell the investment at a loss.

BMG bullion funds qualify for 50% margin in non-registered accounts, so with a \$100,000 investment you can borrow \$50,000 for any reason. Over the past 20 years, gold has increased by an average of 10% per annum. This means that if you withdraw 5% (\$5,000) annually, the remaining capital still increases by 5%. This strategy is far superior to holding fixed-income investments that pay less than 5%, and the principal loses purchasing power due to inflation.



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Year	US Dollar	Canadian Dollar	Euro Zone Euro	Japanese Yen	British Pound	Brazilian Real	Russian Ruble	Indian Rupee	Chinese Yuan	S. African Rand	S. Korean Won	Swiss Franc	Taiwan Dollar	Mexican Peso	Swedish Krona	World Average
2000	-5.65%	-2.03%	1.20%	5.60%	1.88%	1.75%	1.37%	-1.60%	-5.65%	15.89%	5.42%	-3.34%	-0.30%	-6.45%	5.06%	0.88%
2001	0.75%	7.00%	6.26%	15.45%	3.60%	19.39%	4.02%	7.83%	0.71%	57.61%	4.97%	3.55%	6.31%	-0.64%	12.03%	9.92%
2002	26.33%	25.34%	7.24%	14.48%	14.15%	93.43%	25.62%	33.20%	26.33%	-8.30%	13.68%	3.99%	25.25%	30.93%	4.47%	22.41%
2003	17.95%	-3.53%	-1.83%	6.41%	6.40%	-3.54%	11.93%	9.30%	17.95%	-9.47%	18.61%	5.05%	15.54%	34.76%	-2.84%	8.18%
2004	6.86%	-0.49%	-0.56%	2.42%	-0.49%	-2.00%	1.51%	0.69%	6.73%	-8.51%	-7.25%	-1.88%	-0.22%	7.88%	-1.56%	0.21%
2005	16.52%	12.86%	33.21%	33.77%	29.89%	2.44%	21.05%	20.74%	13.76%	30.60%	13.01%	35.61%	20.42%	9.07%	40.03%	22.20%
2006	23.20%	23.15%	10.53%	24.39%	8.11%	12.65%	20.89%	12.83%	19.15%	36.20%	14.12%	14.03%	22.41%	29.71%	6.26%	18.51%
2007	31.92%	11.87%	19.23%	23.82%	30.21%	9.97%	17.87%	22.47%	23.45%	28.50%	32.78%	21.53%	31.27%	30.73%	23.26%	23.93%
2008	5.58%	30.78%	10.76%	-14.19%	43.30%	37.27%	30.14%	28.11%	-1.38%	45.49%	49.05%	0.22%	6.65%	33.95%	28.57%	22.29%
2009	25.62%	7.38%	22.03%	28.82%	13.61%	-5.34%	20.01%	26.88%	25.72%	-0.92%	10.02%	21.27%	22.54%	19.42%	14.48%	16.77%
2010	27.71%	22.19%	37.94%	12.06%	34.14%	21.89%	23.31%	30.24%	23.51%	14.41%	23.82%	16.05%	16.48%	20.41%	20.41%	22.97%
2011	8.39%	10.11%	10.86%	2.16%	7.38%	21.40%	28.25%	14.52%	3.52%	32.40%	11.91%	8.82%	12.59%	22.10%	11.26%	13.71%
2012	8.26%	6.03%	6.52%	21.85%	3.44%	19.01%	12.04%	2.52%	6.97%	13.15%	-0.38%	5.44%	3.90%	1.07%	2.24%	7.47%
2013	-27.33%	-22.38%	-30.46%	-11.72%	-28.70%	-16.21%	-17.98%	-21.87%	-29.39%	-9.36%	-28.27%	-29.31%	-25.38%	-26.88%	-28.23%	-23.56%
2014	-1.58%	7.34%	12.07%	12.08%	4.72%	10.74%	0.20%	78.43%	0.91%	7.73%	2.08%	9.51%	4.26%	10.53%	18.54%	11.84%
2015	-9.73%	7.68%	0.59%	-9.42%	-4.64%	34.54%	-5.22%	12.26%	-5.68%	21.59%	-2.68%	-9.30%	-6.34%	6.56%	-1.52%	1.91%
2016	7.08%	3.89%	10.20%	3.98%	27.99%	-12.01%	9.88%	-11.85%	14.66%	-5.69%	9.61%	9.62%	5.81%	27.31%	14.97%	7.70%
2017	12.66%	5.03%	-1.11%	8.72%	2.74%	14.70%	5.88%	6.86%	5.57%	1.41%	-0.18%	7.90%	3.07%	7.62%	2.04%	5.53%
2018	-0.72%	8.21%	4.18%	-3.36%	5.23%	16.31%	8.22%	19.45%	4.92%	15.60%	3.85%	0.14%	2.52%	-1.15%	8.33%	6.12%
2019	18.83%	12.89%	21.25%	17.72%	14.30%	23.08%	21.87%	6.29%	20.28%	16.10%	22.86%	16.66%	16.11%	14.27%	23.38%	17.73%
2020	23.94%	21.94%	13.77%	17.69%	20.37%	60.16%	26.81%	48.36%	16.40%	29.61%	16.94%	12.92%	16.36%	30.55%	8.98%	24.32%
2021	-4.33%	-4.15%	3.38%	6.78%	-3.18%	2.70%	-2.52%	-3.33%	-7.04%	3.89%	4.46%	-0.87%	-5.49%	-1.75%	5.89%	-0.37%
2022 YTD	-7.43%	0.14%	-19.98%	16.33%	13.03%	-10.37%	-24.56%	1.31%	3.70%	4.42%	11.90%	-0.45%	-1.43%	-8.73%	14.37%	-0.52%
Average	8.91%	8.32%	7.71%	10.25%	10.76%	15.30%	10.46%	14.94%	8.05%	14.45%	10.01%	6.40%	8.36%	12.66%	10.02%	10.44%
Standard Deviation	14.70%	11.64%	14.71%	12.59%	15.44%	24.48%	14.54%	20.89%	13.31%	18.61%	14.90%	12.63%	12.64%	16.27%	13.41%	11.38%
Downside Deviation	9.04%	8.98%	13.69%	4.64%	13.08%	5.51%	10.46%	9.29%	11.14%	3.30%	11.82%	11.15%	9.60%	9.99%	13.14%	13.35%

Data at September 30, 2022

Sources: Ycharts, BMG Group

With this margin strategy, you can hold on to your bullion investment while supplementing your cash flow. With a margin account, investors can use the BMG bullion funds as collateral for a margin loan, then use the loan proceeds for cash needs without having to sell the original assets.

In non-registered accounts, this strategy can be particularly important to keep all unrealized capital gains, and thereby avoid taxation of the capital gains.

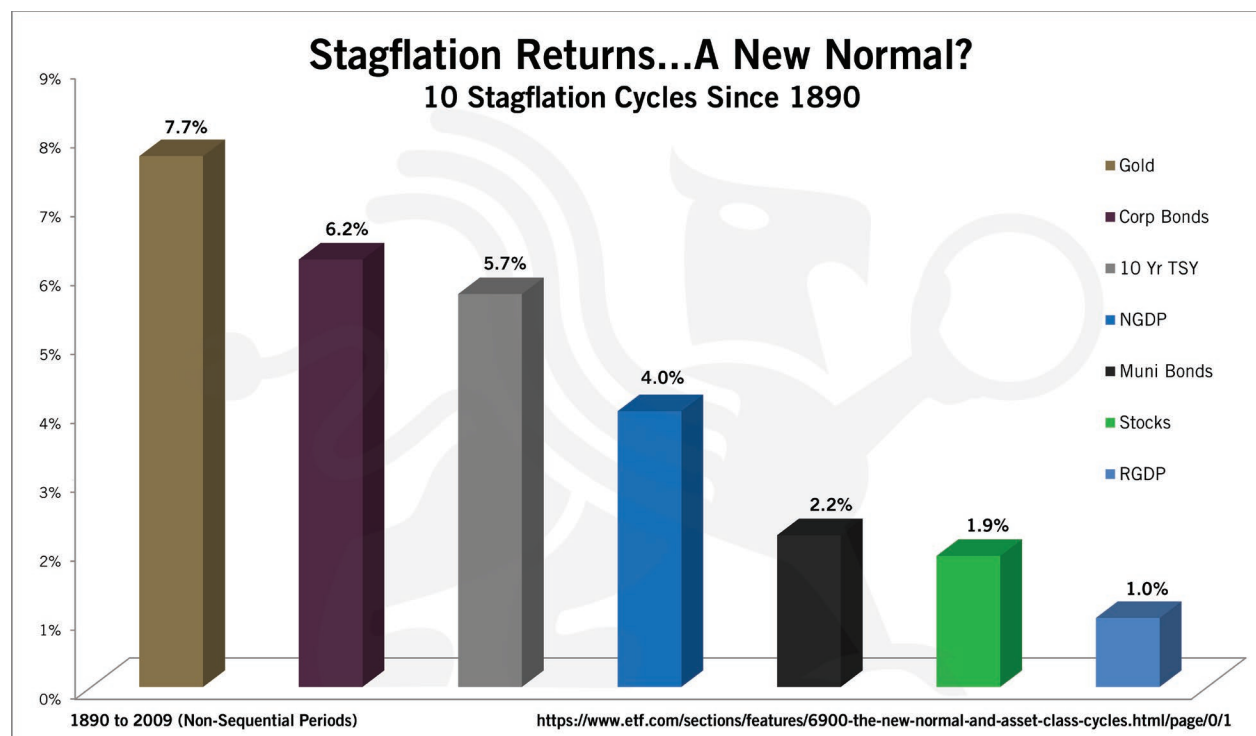
This strategy is particularly applicable to precious metals as the Bank of International Settlements (BIS) has declared that [gold is a zero-risk monetary asset](#).

To implement this strategy, investors may need to open a discount brokerage account at their bank, as many advisors are prohibited from using this approach by their compliance departments.

The outlook for precious metals in this highly inflationary/stagflationary period is excellent, and the price of bullion should rise high enough to pay off the cumulative margin loan in the future.



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**Nick Barisheff** is the founder, president and CEO of BMG Group Inc., a company dedicated to providing investors with a secure, cost-effective, transparent way to purchase and hold physical bullion. BMG is an Affiliate Member of the London Bullion Market Association (LBMA) as well signatory to the Six Principles of Responsible Investments (United Nations endorsed Principles for Responsible Investment – PRI).

Widely recognized as international bullion expert, Nick has written numerous articles on bullion and current market trends that have been published on various news and business websites. Nick has appeared on BNN, CBC, CNBC and Sun Media, and has been interviewed for countless articles by leading business publications across North America, Europe and Asia. His first book, *\$10,000 Gold: Why Gold's Inevitable Rise Is the Investor's Safe Haven*, was published in the spring of 2013. Every investor who seeks the safety of sound money will benefit from Nick's insights into the portfolio-preserving power of gold. [www.bmg-group.com](http://www.bmg-group.com)

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