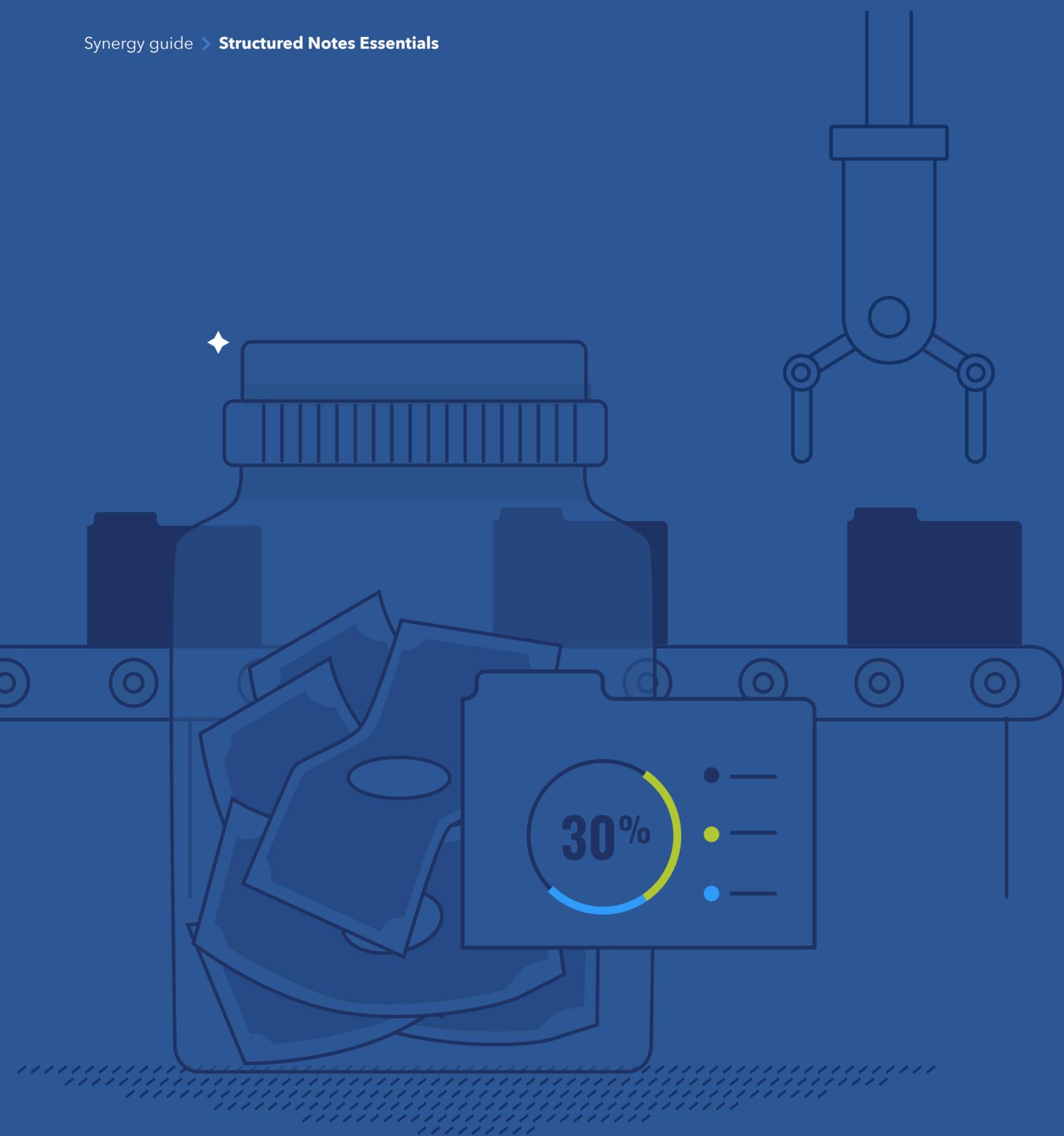


A SIMPLE GUIDE FOR INVESTORS

# Structured Notes





THE ESSENTIALS OF STRUCTURED NOTES:

# The Perfect Blend of Protection and Performance.

What Are Structured Notes?	3
Key Features of Structured Notes	4
Is a Structured Note Right for You?	8
Questions to Ask Before Investing in Structured Notes	9
Real-Life Stories	11
Conclusion	15

# What Are Structured Notes?

At Synergy Asset Management, we believe investing should align with your unique goals, risk tolerance, and market expectations. Structured notes blend fixed-income stability with equity-like growth potential, offering an innovative way to achieve these goals.

Our direct partnership with issuing banks allows us to custom-structure notes for our clients' specific goals—often at a lower cost than off-the-shelf products. By leveraging our network of financial advisors, clients may benefit from increased returns and greater customization compared to buffered ETFs and defined outcome products.

This guide simplifies the concept of structured notes, explains their benefits, and explores why they might be a valuable addition to your portfolio.

**Let's explore!**

## Structured Notes: Balancing Security and Market Growth

Structured notes are hybrid financial products (bonds) that combine safety with the growth potential of an equity or market-linked asset. These customized investments deliver specific risk and return outcomes, helping you take advantage of market opportunities with added peace of mind.

Structured notes are underwritten by a select group of the world's largest and most financially stable banks, ensuring credibility and reliability. Each note is tailored to the client's objectives, risk tolerance, and market outlook, providing optimized returns, unique protection structures, and cost efficiency that standardized investment products cannot match.



# Key Features of Structured Notes



## Maturity

Ranging from 6 months to 20 years, structured notes align with your investment horizon.



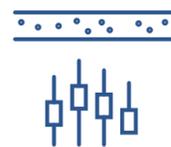
## Return Potential

Income through periodic payments or capital gains growth.



## Deferred Notes

Delay returns until a specific date, allowing for potential growth and tax advantages during the deferral period.



## Underlying Assets

Linked to stocks, commodities, indexes, currencies, interest rates, or other asset classes.



## Security and Protection

Barrier and buffer features help limit losses, while principal-protected notes safeguard your investment while enabling market participation.



## Income Notes

Focus on generating regular payments, often tied to the performance of assets like stocks or bonds.

# Why Consider Structured Notes?

Structured notes have gained popularity among investors due to their ability to combine flexibility, protection, and enhanced return potential. These hybrid instruments offer unique features that set them apart from traditional investment vehicles. Here's a detailed look at the key reasons to consider structured notes for your portfolio.



## 1. Tailored Solutions

Structured notes are highly customizable to align with your financial goals and risk tolerance.

### Personalized Objectives:

Whether your priority is capital preservation, steady income, or growth, structured notes can be tailored to meet your needs.

### Market Exposure:

Notes can be crafted to capitalize on your market view—bullish, bearish, or neutral. For example, a dual-directional note allows you to benefit from modest gains and declines.

### Risk-Return Balance:

You have control over parameters like the level of protection, the participation rate, and the maturity term, ensuring the investment fits into your strategy.



## 2. Downside Protection

Structured notes offer protection against losses in unfavorable markets. They enable investors to stay engaged with the market while mitigating risks, making them particularly appealing to conservative or risk-averse investors.

### Barrier Protection:

Your principal remains safe if the underlying asset remains above a specified level.

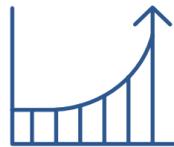
### Buffer Protection:

The note absorbs a predefined percentage of losses (such as the first 10-30%), shielding your principal from moderate market declines.

### Peace of Mind:

This downside protection can provide greater confidence during periods of volatility, allowing you to participate in market opportunities without excessive fear of loss.





### 3. Enhanced Returns

Structured notes often include features that amplify returns, making them a compelling option for those seeking higher potential rewards.

#### Leverage Multipliers:

Certain notes offer enhanced upside participation, such as 150% or 200% of the underlying asset's positive performance, up to a cap.

#### Defined Outcomes:

The predefined payoff structure allows you to benefit from market movements within specific ranges, maximizing your investment's returns.

#### Strategic Growth:

For example, a note linked to the S&P 500 might provide 1.5x participation in gains up to a 15% cap, outpacing index investments in bullish markets.



### 4. Diversification

Structured notes enable investors to diversify beyond conventional asset classes, enhancing your portfolio's resilience and providing access to markets or strategies that might be challenging to invest in directly.

#### Broader Market Access:

Can be tied to assets, including equity indices, commodities (like gold or oil), foreign currencies, or interest rates.

#### Non-Correlated Returns:

Adding structured notes to a portfolio of stocks and bonds introduces exposure to asset classes that may not move in tandem with traditional markets.

#### Niche Opportunities:

Target specific market segments or strategies, such as sector-focused indices or thematic trends like green energy or technology.

## ADDITIONAL BENEFITS

### Defined Risk and Return Parameters

Investors know the range of possible outcomes upfront, allowing for better planning and decision-making.

### Tax Efficiency

Depending on the type of structured note, returns may qualify for favorable tax treatment, such as long-term capital gains.

### Institutional-Grade Customization

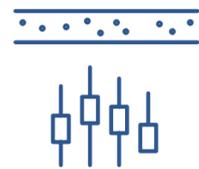
Structured notes are designed for sophisticated strategies, offering solutions that go beyond the limitations of retail investment products like mutual funds or ETFs.



# How Structured Notes Work

Financial advisors play a crucial role for investors considering structured notes. These complex, institutional-grade products require negotiation, customization, and expertise to ensure they align with your goals and Investment Policy Statement (IPS). Advisors evaluate your risk tolerance, liquidity needs, and overall portfolio strategy to integrate structured notes seamlessly into your financial plan, balancing protection and growth opportunities.

## Protection Tailored to You



### BARRIER NOTES:

- ✓ Protection is conditional upon the underlying asset staying above a predefined level.
- ✓ Higher return potential with market stability.



### BUFFER NOTES:

- ✓ Partial protection against declines up to a set percentage.
- ✓ Ideal for tolerating minor losses while aiming for growth.

These options allow you to **PARTICIPATE IN MARKET GROWTH** while safeguarding your principal against downside risks.

### WORK WITH YOUR FINANCIAL ADVISOR:

#### 1. Choose your goal:

Decide between steady income (income note) or capital growth (deferred note) to match your objectives.

#### 2. Pick an asset:

Your investment is tied to an underlying asset, like an index or a specific stock.

#### 3. Set the terms:

Define your level of protection, investment term, and return expectations.

#### 4. Watch your investment grow:

Benefit from a strategy tailored to balance risk and reward.

## Understand the Risks

While structured notes are innovative and flexible financial instruments with significant potential, investors must understand the inherent risks before committing capital.

### 1. Liquidity Risk

Structured notes are designed to be held until maturity, limiting options for early exit. Selling before maturity may involve challenges in finding a buyer or selling the note at a significant discount, especially during financial uncertainty. Investors needing access to funds before maturity should carefully consider this risk.

### 2. Market Risk

The performance of a structured note is tied to the underlying asset(s), such as an equity index, commodity, or interest rate. Adverse price movements in these assets can directly impact the return on the note. Structured notes are not immune to the broader market dynamics. Poor asset performance can lead to reduced returns or losses, depending on the level of built-in protection. Market volatility or unexpected events can exacerbate risks, particularly for notes without protection mechanisms.

### 3. Issuer Default Risk

The success of structured notes depends on the creditworthiness of the issuing bank. Bank defaults or financial instability could result in lost principal and returns, so choosing a reputable issuing bank is critical. This risk differentiates structured notes from other investment products, such as ETFs or mutual funds, where the risk is tied more to the market than an institution's solvency.



### Key Takeaway

Structured notes can be a valuable portfolio component but require careful consideration of risks such as liquidity, market dependency, and reliance on the issuer's financial stability. Investors must weigh these risks before including structured notes in their financial strategy.

# Is a Structured Note Right for You?

## STRUCTURED NOTES MAY BE SUITABLE FOR INVESTORS WHO:

- ✓ Seek customized solutions for specific investment goals.
- ✓ Value partial protection in volatile markets.
- ✓ Have a moderate to high understanding of investment products.

Investing in structured notes requires careful consideration of their complexities and alignment with your financial goals. Here are key questions to guide your decision-making.



# Questions to Ask Before Investing in Structured Notes

## 1. What level of protection does the note provide?

Structured notes often provide protection, but the level and type can vary.

### Barrier Protection

Is the principal protected if the underlying asset remains above a specific threshold? What happens if the barrier is breached?

### Buffer Protection

How much downside is absorbed before your principal is impacted?

### Full Protection

Is the principal entirely guaranteed, or are there exceptions under certain conditions?

Understanding the protection structure ensures your investment aligns with your risk tolerance.

## 2. How will market conditions affect my returns?

The performance of structured notes depends on the underlying asset(s) and market conditions.

### Underlying Asset

What type of asset is the note tied to, and how volatile are these assets historically?

### Market Trends

How might interest rate changes, economic cycles, or geopolitical events impact the asset's performance?

### Scenario Analysis

What are the best-case, worst-case, and most likely outcomes for your returns?

Evaluating market conditions helps you gauge whether the note supports your investment objectives.

### 3. What are the fees and potential tax implications?

It's crucial to understand how fees and taxes can affect your net returns.

#### **Fees:**

Are there hidden costs, such as management fees or premiums? How do these compare to other investment options?

#### **Taxes:**

Are returns considered ordinary interest income (as with income notes) or capital gains (as with growth-focused notes)? How will this impact your overall tax liability?

Consulting a financial advisor or tax professional ensures you have a clear picture of the true cost and after-tax return of your investment.

### 4. How does this fit into my overall financial strategy?

Structured notes should complement—not complicate—your broader financial goals.

#### **Investment Policy Statement (IPS):**

Does this investment align with your IPS, risk tolerance, and time horizon?

#### **Diversification:**

How does this note interact with your other investments? Is it reducing risk or adding unnecessary complexity?

#### **Liquidity Needs:**

Are you comfortable locking up funds for the duration of the note's term, or do you need more liquid alternatives?

By integrating structured notes thoughtfully, you can enhance your portfolio while maintaining a balanced, long-term approach to wealth management.

#### ADDITIONAL CONSIDERATIONS

##### **Issuer credibility:**

Is the issuing bank financially stable, and does it have a strong credit rating?

##### **Exit strategy:**

What options are available if you need to exit before maturity, and what costs might be involved?

##### **Customization:**

Does the note meet your specific needs, or are better alternatives available?



**Addressing these questions can help you make well-informed decisions that maximize the benefits of structured notes while managing their risks.**



## Real-Life Stories

The following three examples illustrate just a few of the countless ways structured notes can be customized to suit individual investment goals, risk tolerances, and market outlooks. Each example highlights features such as barrier and buffer protection, dual directional participation, and tax treatments, demonstrating the versatility of these instruments. Though these scenarios are purely illustrative, the possibilities for tailoring structured notes are virtually endless. Parameters like underlying assets, maturity terms, protection levels, and return structures, can be adjusted to meet the most specific investment needs, ensuring a highly personalized approach to wealth management. Always consult a financial advisor to explore the full spectrum of options and determine the best fit for your portfolio.

**\$100,000**

INVESTED INTO

**A Barrier Income Note**

ON THE S&amp;P 500

*Sarah, a savvy investor who seeks predictable income with a cushion against moderate market declines.*



## REAL LIFE STORIES

**Sarah H.****This note has:**

TERM	COUPON PAYMENTS	BARRIER
<b>2-year</b>	<b>8%</b>	<b>30%</b>

**How it works:**

Each month, Sarah receives a coupon payment of approximately \$666.67 (\$8,000 annually), regardless of how the S&P 500 performs, as long as the issuer remains solvent. At maturity, if the S&P 500 declines by more than 30% from its initial level, Sarah's principal is at risk, as her investment value will mirror the decline below the barrier. However, Sarah will receive 100% of her principal at maturity if the S&P 500 declines less than 30%. For example, if the S&P 500 is down 25%, Sarah still receives 100% of her principal. If the decline is 40%, Sarah will receive 60% of her principal.

**Tax Treatment:**

The monthly payments are considered ordinary interest income, subject to Sarah's marginal tax rate.

**Outcome:**

- ✓ If the S&P 500 stays above the barrier, Sarah **receives her full principal and earned income.**
- ✓ If the S&P 500 breaches the barrier, Sarah's principal will reflect the full market loss beyond the 30% threshold, **however, she retains her interest earnings.**

**\$100,000**

INVESTED INTO

**A Buffer Income Note**

ON THE S&P 500

*James is looking for consistent income with partial downside protection in volatile markets.*



REAL LIFE STORIES

**James B.**

**The note has:**

TERM	COUPON PAYMENTS	BUFFER
<b>2-year</b>	<b>6%</b>	<b>30%</b>

**How It Works:**

Each month, James receives a coupon payment of approximately \$500 (\$6,000 annually), regardless of how the S&P 500 performs, as long as the issuer remains solvent. At maturity, if the S&P 500 declines by more than 30% from its initial level, James’s principal is at risk, as his investment value will participate in the decline after the buffer. However, James will receive 100% of his principal at maturity if the S&P 500 declines less than 30%. For example, if the S&P 500 is down 25%, James still receives 100% of his principal. If the decline is 40%, James will receive 90% of his principal. (40% decline minus the 30% buffer equals a 10% loss.)

Notice that there is more downside protection for James’ buffer note than for Sarah’s barrier note, but Sarah’s 8% income rate was higher than the 6% James received. As the saying goes, higher risk, higher return.

**Tax Treatment:**

Like Sarah, James’s coupon payments are treated as ordinary interest income, taxable at his marginal rate.

**Outcome:**

- ✓ If the S&P 500 **remains within the buffer, James retains his full principal** and enjoys steady income.
- ✓ Losses beyond the 30% buffer are **subtracted from his principal.**

**\$100,000**

INVESTED INTO

**Dual Directional Deferred Buffer Income Note**

ON THE S&P 500 & RUSSELL 2000

*Karen wants the best of both worlds, growth potential with enhanced upside and a safety net against market declines.*



REAL LIFE STORIES

**Karen L.**

The note has:

TERM	INDEX PARTICIPATION	BUFFER
<b>3-year</b>	<b>100%</b> up to 20% on the upside	<b>20%</b>

How it works:

At maturity, Karen’s return is based on the worst-performing index:

**UPSIDE**

If the index rises up to 20%, Karen receives 100% of that growth (e.g., 20% growth = \$20,000 return).

**DOWNSIDE**

If the index declines up to 20%, Karen receives the absolute return of the loss up to the buffer. Yes, you read that correctly! If the return is negative, Karen receives a positive return. If the decline exceeds 20%, her loss begins at the 20% threshold (e.g., a 30% decline = 10% principal loss). For example, Karen will

receive a positive return at maturity if the underlying index is between -20% and + 20%. So, if the worst-performing index is down 18%, Karen receives a positive 18%. If the worst-performing index is up 8%, Karen is up 8%. If the worst-performing index is up 50%, Karen is up 20%. If the worst-performing index is down 50%, Karen is down 30% (50% minus the 20% buffer equals a 30% loss.)

**Tax treatment:**

The gain (or loss) at maturity is treated as a capital gain and, if held to maturity, may qualify for long-term capital gains rates.

**Outcome:**

- ✓ Karen benefits from market **growth up to 20%**.
- ✓ Karen benefits from market **losses up to 20%**.
- ✓ Losses are absorbed only if the **decline exceeds the 20% buffer**.
- ✓ Her tax liability may be reduced due to the preferential treatment of capital gains.

## SYNERGY ASSET MANAGEMENT

# Let's Build Your Wealth Together

Structured notes combine customization, protection, and growth potential, making them a valuable addition to a well-rounded investment strategy. Tailored to align with your financial goals, structured notes allow you to navigate market opportunities confidently while managing risk. With Synergy Asset Management you gain access to institutional-grade expertise, personalized strategies, and cost-efficient solutions beyond off-the-shelf products. Let us help you unlock the potential of structured notes and create a wealth strategy that works for you.

[LEARN MORE](#)

## It all starts with a conversation.

Give us a call and let's schedule a complimentary meeting.

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