



EXPLORING MARKET-LINKED CDs

The potential for market-based returns within a Certificate of Deposit.

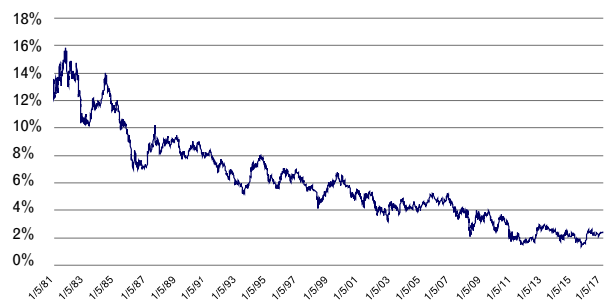
RAYMOND JAMES®

EXPLORING MARKET-LINKED CDs

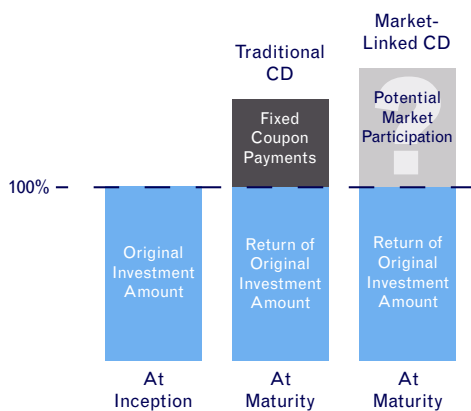
Over the past decade, the combination of declining interest rates and elevated market volatility has left investors wondering how they can grow their portfolios without putting their financial future at risk. The demand for investments that can deliver both growth potential and capital preservation has led many investors to consider market-linked certificates of deposit (CDs).

DECLINING INTEREST RATES: 10 YEAR TREASURIES

1981-2017 (source: www.federalreserve.gov)



CERTIFICATES OF DEPOSIT: TRADITIONAL VERSUS MARKET-LINKED¹



Market-linked CDs are designed to participate in the potential growth of predefined underlying markets such as equities (stocks), commodities, or currencies. When held to maturity, market-linked CDs offer principal protection² against possible declines in the underlying markets, and are insured by the FDIC. By investing in a market-linked CD, an investor forgoes the fixed payment of a traditional CD in exchange for the *potential* to earn a higher return based on the performance of the underlying markets.

ADVANTAGES OF MARKET-LINKED CDs

Market-linked CDs offer several distinct advantages to investors, including:

Security – Market-linked CDs are principal protected² and backed by the issuing bank when held to maturity. Should the underlying market decline over the stated time period, investors are protected from such losses. Market-linked CDs are also FDIC-insured, on principal investment only, up to applicable limits.

Growth – The underlying market to which a market-linked CD is tied has the potential to provide returns in excess of the fixed rates on traditional CDs. Investors may be able to participate in all or a portion of such potential returns.

Diversification – Market-linked CDs can provide exposure to a variety of underlying markets including domestic and foreign equities, commodities, and currencies.

Convenience – Through a single purchase, investors may achieve a number of investment goals such as growth potential, diversification, and capital preservation.

Diversification does not ensure a profit or protection against a loss.

¹The data presented above is for illustrative purposes only and not intended to represent a specific return of any particular investment.

²Please refer to the principal protection features discussed on page 2 for additional information.

FEATURES AND CONSIDERATIONS OF MARKET-LINKED CDs

As with all investments, each market-linked CD has its own specific terms, risks, and unique features. Common investment features and considerations are highlighted below. Investors should consult their financial advisors and read the applicable offering documents prior to investing.



Principal protection and FDIC insurance are central features of market-linked CDs, with principal protection provided by the issuing bank when held to maturity. Should the issuing bank fail, market-linked CDs are covered under FDIC insurance on principal only, up to applicable limits (\$250,000 per depositor per FDIC-insured institution as of December 2012). Amounts in excess of FDIC insurance limits are subject to the creditworthiness of the issuing bank. For more information regarding the FDIC insurance coverage and any applicable limits, please visit www.fdic.gov.



Participation refers to the degree or method in which an investor participates in the potential appreciation of the underlying market. A participation rate of 100% indicates one-for-one participation over the stated time period. Participation may be greater than 100% (accelerated) or less than 100% (partial). A maximum return limit, or cap, exists on many investments. It is important to understand that the performance calculation methodology may vary for each market-linked CD, some being more complex than others. Many employ a point-to-point methodology, meaning performance is calculated from the beginning to the end of the stated time period, with any gains paid at maturity. Other methodologies involve averaging performance over certain intervals. Some market-linked CDs are designed to provide the potential for periodic payments throughout the term. While less common, some provide a minimum guaranteed return payable at maturity.



Liquidity refers to the ability of an investment to be readily converted to cash without a significant discount. While a guaranteed secondary market does not exist for market-linked CDs, issuing banks and other parties may be willing to repurchase them prior to maturity. In determining the value for such a repurchase, the issuer will consider multiple factors such as: performance of the underlying markets, credit risk, time to maturity and interest rates. This value appears in client accounts, represents an estimate of the current repurchase value and may be at a substantial discount to an investor's original investment. Market-linked CDs are long-term investments designed to be held to maturity, at which point the issuing bank is obligated to provide a value consistent with the terms of the investment. Additionally, in the event of the owner's death, most market-linked CDs offer the right to redeem prior to maturity at the original investment amount.



Fees must be considered with all investments. Market-linked CDs involve fees, costs and commissions paid to the issuing banks and the securities firms that sell them.



Tax treatment of market-linked CDs can vary, but it is common for investors to be subject to yearly taxation at ordinary income tax rates on the issuing bank's estimated comparable yield, commonly referred to as "phantom income." This occurs even though an investor typically does not receive periodic interest payments. Additionally, all gains associated with market-linked CDs are considered to be interest and are taxed as ordinary income. Given these considerations, many investors choose to purchase market-linked CDs in tax-advantaged accounts. Refer to the offering documents for specific tax information and consult a tax professional for complete tax advice.



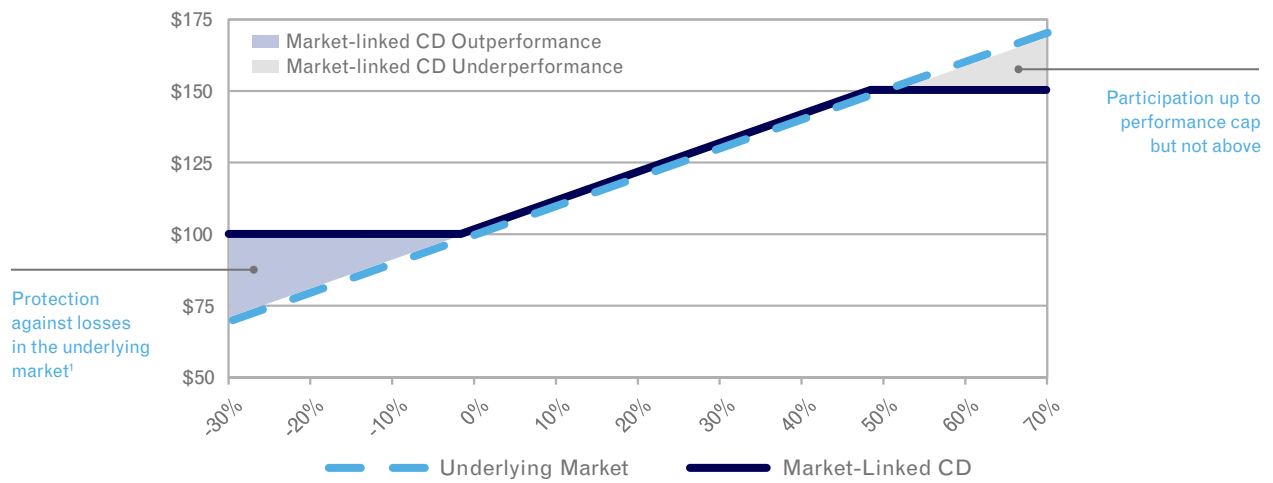
Other considerations include: The maturities of market-linked CDs vary and typically fall between four and eight years. Some market-linked CDs may contain a call feature which would allow the issuer to call the CD prematurely. Investment minimums commonly start at \$10,000 with additional investments permitted in increments of \$1,000. Dividends are typically excluded when calculating the performance of underlying equity market(s).

SAMPLE MARKET-LINKED CD

The market-linked CD shown below provides participation in the potential positive return of the S&P 500 Index, excluding dividends, using a point-to-point calculation methodology. If the index generates a positive return over the period, the investor will participate in 100% of that appreciation up to (but not above) a maximum return cap of 50%. If the index declines in value over the period, the investor is protected¹ against those losses and will receive a return of their original investment at maturity. As a reminder, downside protection and upside participation features are guaranteed only at maturity, not prior.

SAMPLE PAYOUT CHART

Shaded areas represent the different trade-offs in performance between the underlying market and the market-linked CD.



SAMPLE TERMS	
Maturity	5 - 7 years
Underlying Market	S&P 500 Index (excluding dividends)
Downside Protection	100% principal protection at maturity (FDIC insured up to applicable limits) ¹
Participation	100% upside participation in underlying market (subject to maximum return cap)
Maximum Return Cap	50%

SAMPLE RETURN	
Underlying Market	Market-linked CD
75%	50%
50%	50%
25%	25%
10%	10%
0%	0%
-10%	0%
-25%	0%
-50%	0%
-75%	0%

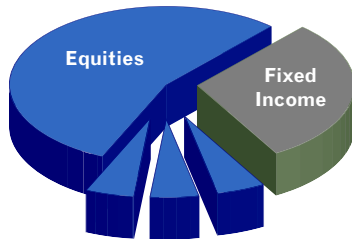
The data presented above is for illustrative purposes only and not intended to imply or represent a specific return on any particular investment. Actual terms vary from month to month. Past performance is not indicative of future results. The S&P 500 is an unmanaged index of 500 widely held stocks. It is not possible to invest directly in an index.

¹ Please refer to the principal protection features discussed on page 2 for additional information.

INCORPORATING MARKET-LINKED CDs INTO A PORTFOLIO

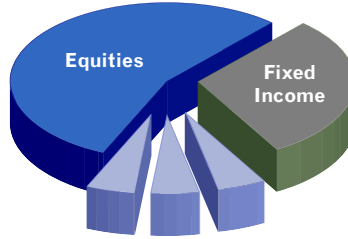
There are several ways that market-linked CDs can be incorporated into your portfolio:

RISK REDUCTION



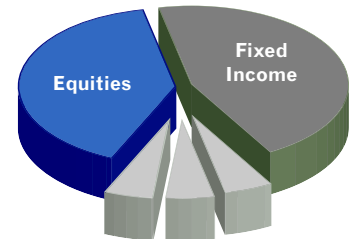
Market-linked CDs are often included in a portfolio to manage risk because they provide access to the growth potential of equity markets, while incorporating principal protection¹ features that may better suit your risk tolerance.

DIVERSIFICATION



You may choose market-linked CDs to gain exposure to specific market segments that can be difficult to access through more traditional instruments. These markets, such as commodities or currencies, may be more attractive when accessed through a market-linked CD with principal protection and FDIC insurance.¹

CASH FLOW



Certain market-linked CDs are designed to offer the potential for periodic payments based on the performance of the underlying markets to which it is tied.

THE RAYMOND JAMES APPROACH

Raymond James does not issue market-linked CDs, preferring instead to engage multiple banks on a competitive basis. The department dedicated to supporting market-linked CDs at Raymond James is tasked with researching potential investment structures in an effort to avoid those that are overly complex or have a low probability of adding value to clients. Market-linked CDs are generally priced with multiple banks in order to obtain competitive terms for clients.

CONSIDERING SPECIFIC OPPORTUNITIES

For investors seeking the potential for growth while mitigating downside risk, market-linked CDs can provide both value and security. Like all investments, integrating market-linked CDs into a portfolio requires thoughtful consideration and consultation with a trusted financial advisor.

When considering market-linked CDs, you should ask yourself:

- To achieve the full benefit of a market-linked CD, am I in a position to hold it to maturity?
- Does the potential return of a market-linked CD better suit my investment objectives than the current fixed rate available in a traditional CD?
- If purchasing in a taxable account, am I comfortable with the tax implications?

Your Raymond James advisor is well-equipped to discuss any questions you may have and help you determine what role market-linked CDs should play in your overall financial plan.

Market-linked CDs are not suitable for all investors. Prospective investors should carefully review the relevant offering documents prior to investing. Diversification does not ensure a profit or protection against a loss.

¹Please refer to the principal protection features discussed on page 2 for additional information.

LIFE WELL PLANNED.

RAYMOND JAMES®

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER

880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863

LIFEWELLPLANNED.COM

Market Linked CDs are insured by the FDIC up to applicable limits. Unless otherwise specified, other products purchased from or held at Raymond James are not insured by the FDIC, are not deposits or other obligations of Raymond James Bank, are not guaranteed by Raymond James Bank, and are subject to investment risk, including possible loss of the principal invested.

© 2018 Raymond James & Associates, Inc., member New York Stock Exchange/SIPC © 2018 Raymond James Financial Services, Inc., member FINRA/SIPC Raymond James® is a registered trademark of Raymond James Financial, Inc. AIG-00440118 JPR 1/18