Fort Washington
Private Client Group
A member of Western & Southern Financial Group

STRUCTURED INVESTMENTS

At Fort Washington Private Client Group, we're committed to providing tailored service that exceeds expectations to each client. Through careful listening, we understand your financial needs and take a thorough approach to wealth planning and portfolio management. Part of this approach is helping clients understand diverse investment vehicles, including structured investments.

INTRODUCTION

A structured investment serves as a complement to traditional investments in a private investor's portfolio. With traditional investments as the foundation, structured investments are packaged and customized based on an investor's risk profile and return objectives. For instance, structured investments are commonly used to reduce exposure to the underlying investment's downside or enhance participation on the underlying investment's upside. Fort Washington has partnered with Goldman Sachs, who offers a transparent and broad marketplace for educating and distributing structured investments, to deliver an expanded set of investment offerings to clients.

WHAT IS A STRUCTURED INVESTMENT?

A structured investment is a pre-packaged investment strategy linked to a traditional investment such as an individual stock, market index, or a customized basket of securities (also called the underlying asset or underlier). The payout of the structured investment is linked to the performance of this chosen underlier. Structured investments are also flexible and can be customized to meet many investment goals or outlooks. Some allow for increased returns versus the underlier but have more risk, while others protect from losses but limit the upside.

Structured products come in many varieties but have certain shared characteristics:

- Specific maturity:
  - These are somewhat illiquid – meaning there is no guarantee of a buyer prior to maturity; however, a secondary market does exist for those who want to sell early.
- Used for growth, income, or downside protection:
  - They can have coupon income characteristics, can be designed for growth, or can offer partial or full downside protection.
- Well-defined upside and downside:
  - The parameters of what occurs when the underlier rises or falls are well defined, as is the term of the investment.[1]
- Flexible:
  - They allow for the buyer to define how much risk they want to take and for what time period.
- Subject to counter-party risk:
  - If the investment firm offering the product fails, you may lose part or all of your investment, unless you elect a fully principal-protected CD with FDIC Insurance ($250,000 limit).

BENEFITS OF STRUCTURED INVESTMENTS

Downside protection

The primary benefit of using a structured investment is potential downside protection. Investors can maintain exposure to an index or asset class while decreasing or eliminating downside exposure. Structured investments can either offer a partial downside buffer, which protects an investor up to a certain stated percentage loss, or a fully principal-protected option.

Potential to earn higher returns

Investors can tailor a structured investment to utilize leverage to earn higher returns than a direct investment in the underlying index in certain market conditions.

Flexibility to meet your needs

An investor can customize the underlier, upside participation, downside protection, and coupon payments. The investments can be shaped into a growth product, an income product, or a risk management tool.

RISKS OF STRUCTURED INVESTMENTS

Credit risk considerations

Structured investments are subject to the credit risk of the issuer – in this case, Goldman Sachs. A possible way to avoid the issuer credit risk is through inclusion of a Principal Protected CD that is insured by the FDIC up to $250,000.

Illiquidity

Another risk is the potential illiquidity of a structured investment. Investors should plan to hold the investment until maturity as there is no guaranteed secondary market for this type of investment.

Missed dividend and interest payments

Investors also forgo dividend and interest payments when they invest in a structured investment. For example, even if the underlying index is the S&P 500, an investor would not receive the index's dividends.

Loss of principal

A final risk to consider is the potential loss of principal. Unless an investor elects a fully principal protected option, there will be investment risk similar to a traditional stock, bond, or mutual fund investment.

For more information on structured investments, contact a Fort Washington advisor at 513.361.7929.

You should be aware that there are material risks associated with structured products, and should read the prospectus and risk disclosures prior to investing. Because of the nature of these products, there are factors that will influence the price you will receive if you sell before maturity. If you sell your investment before maturity, you may receive less than the face amount. Furthermore, there may be little to no secondary market for these investments. Even if a secondary market develops, it may not provide significant liquidity. The tax consequences for these investments depend, in part, on the tax status of the investor and also may differ depending upon the type of underlying interest involved. Fort Washington does not provide tax advice nor is it an expert in tax law. You should consult a tax professional and/or accountant for tax planning purposes.

[1] *Parameters are defined in the product's prospectus.*

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