

Understanding Structured Notes

A personalized approach to balancing protection, performance, and opportunity



Structured notes are hybrid investment vehicles issued by banks or financial institutions. They combine a traditional debt security (like a bond) with a derivative component (such as options or swaps) to create a tailored investment experience.

Their return is typically linked to the performance of an underlying asset, index, or basket of assets, allowing for customized outcomes that range from principal protection to enhanced yield or market-linked growth potential.

At Larson, our role is to help investors navigate these instruments with clarity so they understand not only what structured notes are, but how they can fit strategically within a long-term plan.

WHY INVESTORS CONSIDER STRUCTURED NOTES

Structured notes offer versatility and control that can appeal to a range of investor goals and risk preferences:

Principal Protection: Many notes offer partial return of principal or in some cases full principal protection, if certain conditions are met, providing a level of protection for cautious investors.

Income Generation: Some structured notes offer periodic payments, appealing to retirees and income-focused investors.

Diversification: They can provide access to markets and strategies beyond traditional stocks and bonds, adding variety to a portfolio.

Customized Risk/Return Profiles: Each note can be structured to fit a specific market outlook or risk tolerance, with features such as downside buffers, capped upside, or leveraged returns.

Market Access and Hedging: Notes can be used to gain exposure to otherwise hard-to-reach markets or to help offset portfolio drawdowns.

Innovative Strategies: For sophisticated investors, structured notes can enable creative positioning, such as capturing upside in volatile markets or hedging concentrated stock positions.

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KEY CONSIDERATIONS

Structured notes aren't one-size-fits-all. Before investing, it's important to understand their unique risks and structure.

Complexity: The features and terms of structured notes can be intricate. Investors should ensure they fully understand how returns are calculated and under what conditions protection applies.

Credit Risk: These instruments are obligations of the issuing institution. The note's performance ultimately depends on that issuer's ability to meet its commitments.

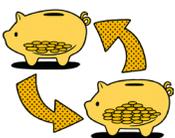
Complexity: Unlike stocks or ETFs, structured notes generally lack an active secondary market, and selling before maturity may be difficult or result in a lower return.

Transparency: Because of their customized nature, structured notes can be less transparent than traditional securities, even though terms are disclosed at issuance.

At Larson, our due diligence process helps ensure that every structured note we consider aligns with your objectives, timeline, and risk profile.

HOW STRUCTURED NOTES COMPARE TO BONDS AND ETFs

Feature	Structured Notes	Bonds	ETFs
Structure	Hybrid (debt + derivative)	Debt instrument	Fund holding baskets of assets
Return	Linked to asset/index, often variable	Fixed/variable interest	Mirrors underlying asset returns
Principal Risk	Varies: can be high/partial/no protection	Lower (if strong issuer)	Strong, tied to NAV
Liquidity	Often low	High	Very high
Transparency	Lower, due to complexity	High	Highest (holdings disclosed)
Customization	Very high	Low	Moderate (by sector/strategy)
Fees/Complexity	Higher fees, more complex	Low	Generally low, simple structure



Bonds provide predictable income and principal return.

ETFs offer broad, transparent, low-cost market exposure.

Structured notes bridge the gap, offering tailored potential for protection and growth, with added complexity and reduced liquidity.

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WHAT INFLUENCES THE VALUE OF A STRUCTURED NOTE?

The market value of a structured note may change before maturity, based on several factors:



Performance of the Underlying Asset(s): Fluctuations directly affect value.

Interest Rates: Rising rates can reduce the note's price; falling rates may increase it.

Creditworthiness of the Issuer: A weaker credit rating may lower the note's value.

Market Volatility: Depending on the note's features, volatility can help or hurt value.

Time to Maturity: As maturity nears, the note's value becomes more sensitive to its underlying performance.

Structured notes are typically designed to be held to maturity, where their built-in features like buffers or barriers can fully function as intended.

Structured notes can be a powerful addition to a diversified portfolio, offering customized opportunities for growth, protection, or income. But with that flexibility comes complexity and risk, making professional guidance essential.

At Larson, we help you evaluate these opportunities within the context of their broader goals, ensuring every strategy is purposeful, transparent, and aligned with their long-term financial vision.

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All securities involve risk and may result in significant losses. Investing in private placements also requires long-term commitments. Investors should have the ability to afford to lose the entire investment and they should have low liquidity needs. Further, alternative investments and private placements should only be a part of your overall investment portfolio and the alternative investment and private placement portion of your portfolio should include a balance of different underlying investment strategies. Before investing you should: (1) conduct your own investigation and analysis; (2) carefully consider the investment and all related charges, expenses, uncertainties, conflicts-of-interest, and other risks described in the offering materials; and (3) consult with your own investment, tax, financial and legal advisers.



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