

STOCK MARKET FOR RENT?

NOW YOU CAN RENT A
SHARE – BUT SHOULD
YOU?

THE “RENTING” MISCONCEPTION

“Renting a share” sounds like a bold new investing trend. But in reality, there’s no official way to temporarily use a stock without owning it. Some platforms may use clever marketing, but the idea of “renting” stocks doesn’t truly exist.

WHAT YOU CAN DO: LEND

Securities lending is real, but it only functions if you already own the shares. You pay your broker a fee in exchange for letting them lend your stocks, usually to short sellers.

NOW, RETAIL INVESTORS CAN PARTICIPATE

In the past, only large institutions were capable of doing this. Retail investors like you and I are now able to participate. Brokers that offer programs to lend fully paid shares and generate additional revenue include Fidelity, Schwab, and Interactive Brokers.

RECOGNIZE THE TRADE-OFFS

Although there are drawbacks, you do not lose your stock when it is lent. Instead of receiving regular dividends, you might receive a substitute payment that is subject to different taxes. Additionally, the amount of money you make from lending can fluctuate frequently based on demand. It isn't always foreseeable.

THE REASONS RENTING ISN'T REAL

Renting something entails using it for a limited time without actually owning it. For stocks, there is no such model. Either you own them or you don't. Lending shares is simply allowing someone else to borrow what you already have; it is not the same as renting.

IS IT SECURE?

Brokers use additional collateral to safeguard your assets, so it's usually regarded as safe. Usually, but not always, you can request the return of your shares. Although it's not completely risk-free, it's a low-risk choice.

CONCLUSION

"Rent a stock" is mostly a marketing gimmick. However, you can make a little extra money by lending your shares if you own any. Just keep in mind that if you want long-term returns, you cannot avoid ownership. Smart ownership, not short cuts, is the key to good investing.