Meet Your Margin

Even though each team in The Stock Market Game™ (SMG) begins with $100,000, they can spend up to $200,000. This is because SMG teams are allowed to Buy on Margin.

When you Buy on Margin you borrow money from your broker to buy shares of stocks, bonds, and mutual funds. In the SMG program, the SMG portfolio system, acting as your broker, automatically lends you $100,000.

This is why the BUYING POWER listed in your Account Summary is approximately two times greater than your portfolio’s Available Equity. Your Available Equity is the equity you may use to buy more stocks, bonds, or mutual funds.

Before you can Buy on Margin, your SMG portfolio must meet the Buy Margin Requirement. This is the collateral needed to Buy on Margin.

In the SMG program, collateral refers the value of the stocks, bonds, and mutual funds already in your portfolio. The SMG system will lend you up to 50% of the value of the stock being purchased.

After you Buy on Margin, your Available Equity must not fall below the Minimum Maintenance. The Minimum Maintenance in the SMG program is 30% of the value of the portfolio’s TOTAL EQUITY.

If your Available Equity falls below the Minimum Maintenance, a Margin Call will be issued. A Margin Call is a request for you to meet your Minimum Maintenance by selling the stocks, bonds, or mutual funds in your portfolio. After three weeks, if you still have not meet your Minimum Maintenance, the SMG system will automatically liquidate enough of your investments to collect the required amount.

More information about Buying on Margin, Minimum Maintenance, and Margin Calls is available in the Help pages of the Account Summary section of your SMG team portfolio.

What’s Your Interest?

Interest is charged on the money you borrow. To figure out the amount you have borrowed in The Stock Market Game, calculate the average of your daily balances.

The formula for calculating interest is:

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(Amount\ Borrowed \times \text{Interest Rate}) \times \frac{\text{Number of Days}}{360}
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