Structured Notes, Assets, or whatever other marketing word bankers have come up with - will I regret it?

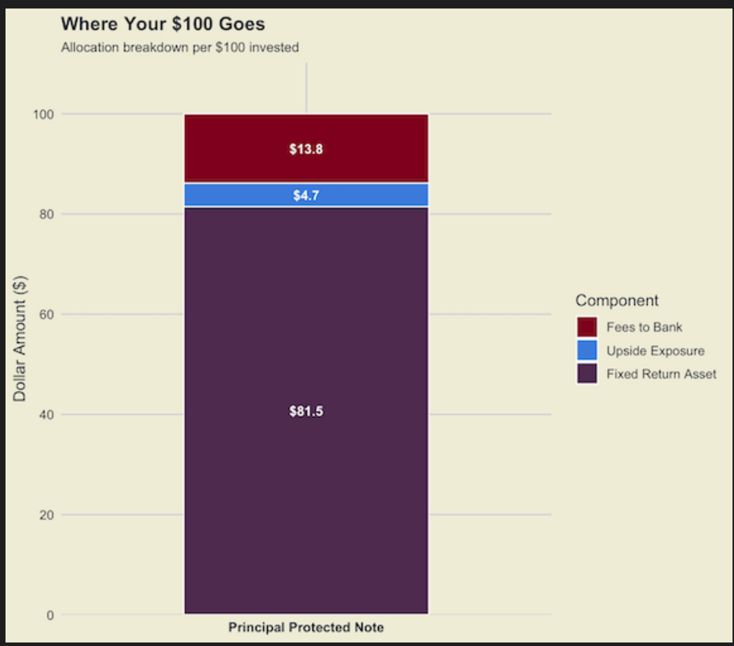
Written by Ilan Rosenbaum on January 16th, 2026

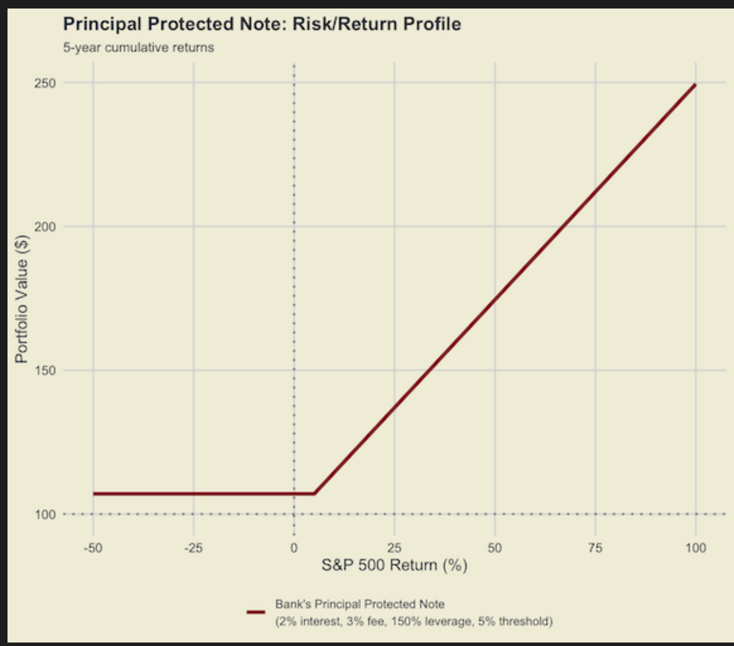
What *exactly* are they

The word "structured" followed by some other word, commonly asset, note, or product, is a shorthand created by banks to represent a class of assets, a class defined by there lack of bounds. I will be referring to them as Structured Somethings throughout this article. A Structured Something could be any combination of financial products packaged into a single asset and marketed toward wealthy investors generally by investment banks.

They could be smart, dumb, wildly complex, or incredibly simple, the fact that they are a Structured Something tells you very little. What I can say for sure, is a Structured Product is an irreducible collection of assets and fees. This means once you own it, you're more or less locked in to the strategy until the end of the Structured Something's term. This is because they are complex, opaque, and specific enough that the resale market for them is incredibly thin, and usually illiquid.

This is so vague it is borderline a useless description, so lets take a very common example, a **Principal Protected Note**. Below I provided an example of where your money would go if you purchased some theoretical **Principal Protected Note** along with a Risk/Return Profile of the asset you'd be purchasing.

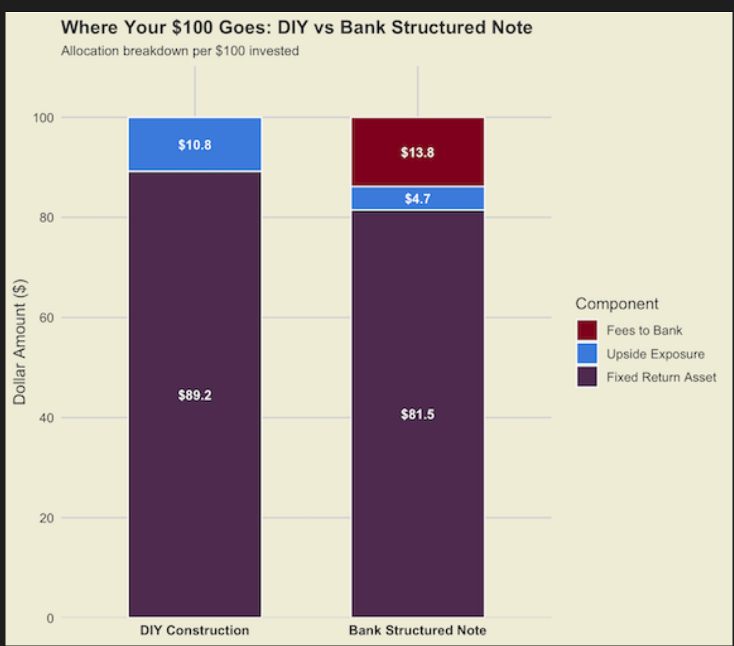


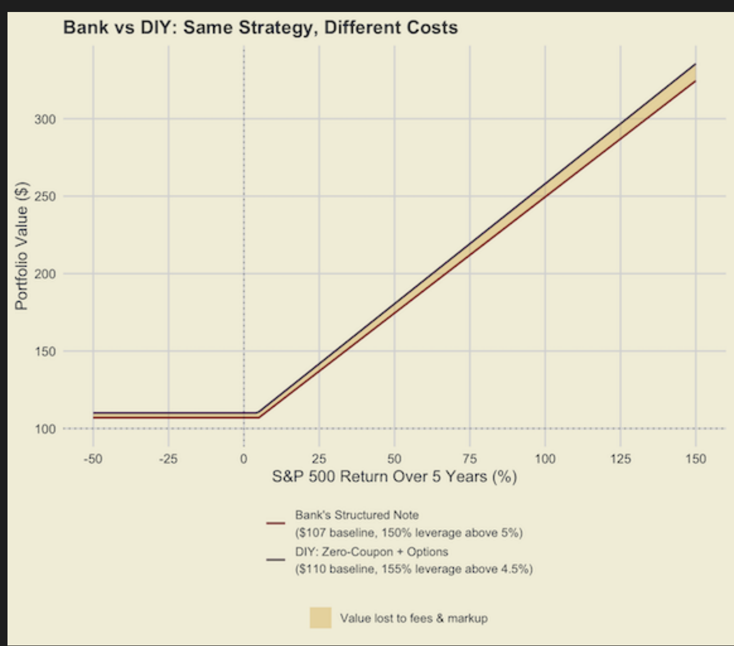


Is it a good deal?

If you are the bank, 100%. They benefit immediately and for the long haul. First the fee, when you buy the structured product they get that fee immediately. Then the debt, they get to issue below market debt, they can sell this debt on the open market at standard rates for a profit if they'd like. Finally that outsized upside, that's the risk on there end right? That's the bit you can make money on and they'd lost money on? No. They buy options contracts on the open market to fulfill their risk obligations, then charge your either exactly what they paid or bake in an extra fee by charging you more than they paid for options contract they package together into the new asset they call a structured note.

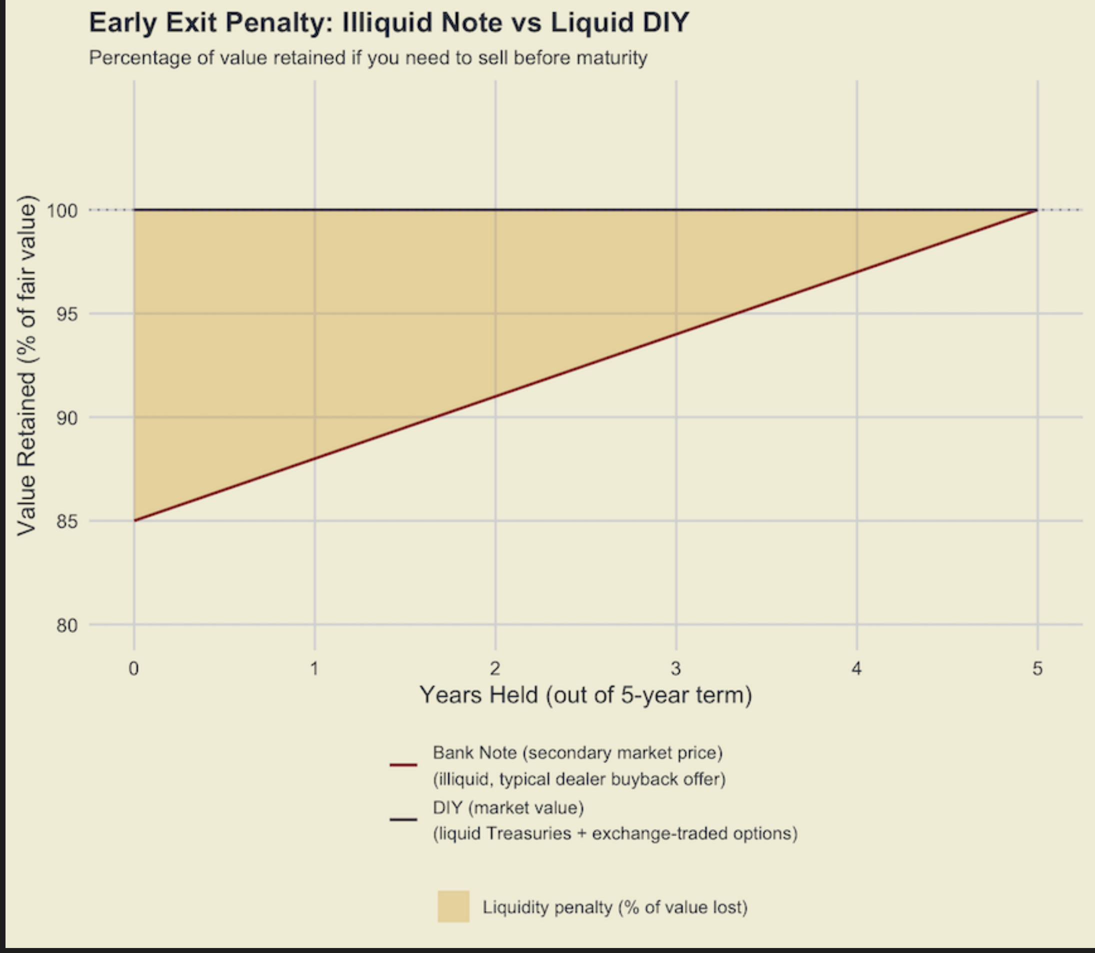
The purchaser is left with a fairly safe asset with solid upset to large direction moves in the market. But, the possible upside for the debt is almost always lower than if they sold debt to the market at market rates and the upside is likely sold to them at a higher price than if they bought it themselves on the open market. If this is a risk profile you're interested in, you're not alone, it provides real value. What would it look like if you just built it yourself then?





Liquidity Crisis & Understated Risk of Losing Everything

The above really isn't ideal, but providing a product for more money but greater convenience isn't the worst thing in the world. Honestly it's more or less what the entire US economy is based on. So why am I very against this? Well, beyond it being a bad deal, you are screwed if anything goes wrong. Because you have bought a very specific bundle of assets you can't easily separate, if you want to sell them you've got to find a buyer yourself, you can't just sell directly on the market. In practice this usually means the buyer has all the leverage, which is never what you want.



If that wasn't bad enough, there is actually sizable risk of you losing everything. One of the main sells of something like this is the lower downside, but what the bank generally fails to mention is that because they are likely a relatively small to mid sized investment bank, the bond they issue to you (basically them taking out a loan *from* your at below market rates) is riskier than a normal government bond or collection of corporate bonds because it will become worthless if this one bank fails. You deserve to be paid an appropriate premium amount for to justify said risk, and personally I'd just prefer to avoid taking on any debt that relies on a single mid sized company.

Some final notes on hidden risk within Structured Somethings

1. The main benefit I see of using these is an investment bank giving you access to non-public markets. Maybe the note involves futures on commodities you can't trade publicly, or some other asset you can't easily bet on. In practice though, this is rare. That type of deal is generally marketed more as private equity.

2. The incentives for creating and selling a Structured Somethings are to sell as many of these notes as possible at the highest fee's they can; not necessarily to make them the best asset possible. The fact that they could be good, does not mean they actually are. A good example of this would be that the type of upside they tend provide is of lower quality than what is publicly available. American options can be executed at any time, meaning if there is a large fluctuation *AT ANY TIME FROM NOW UNTIL YOUR ASSET EXPIRES* it will be worth a lot of money. The version they tend to give you (European options) is only worth a large amount of money if the big move upward or downward exists at the moment of your products payoff date.

3. If you are looking into purchasing one ask for a detailed breakdown of exactly what assets are within the product, if they refuse to provide one run, if they do provide one compare it to building the exact same asset yourself, if you don't know how to do that ask a financial professional that does not work at the bank offering you this asset to create you one themselves. If it's easily replaceable at a lower cost, and the risk profile is enticing to you, build it yourself. If it isn't replaceable easily, or when you do it ends up costing more than if you bought from them, consider purchasing it if you are ok with the decreased liquidity and the risk exposure to a single firms long term financial health.

4. Tax benefits? Any purported tax benefits offered will also exist in the DIY version of the asset. They may exist, but they are not unique to what is being offering in a Structured Something.

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