

## Compliance Alert 2022-06

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**To:** All PCS Registered Representatives, Support Staff, Home Office Personnel  
**Date:** March 7, 2022  
**Re:** **Liquid Net Worth Definition**

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The PCS Compliance Department, in conjunction with Operations and Field Supervision, is issuing this Compliance Alert to assist Financial Professionals with defining assets categorized as Liquid.

PCS is providing the following clarification related to the definition of Liquid Net Worth and it should be used when identifying assets as liquid with your customer and on any applicable PCS forms:

**Liquid Net Worth** is your net worth (not including primary residence) minus assets that cannot be converted quickly and easily into cash, such as real estate, business equity, personal property and automobiles, expected inheritances, assets earmarked for other purposes, and investments or accounts subject to substantial penalties if they were sold or if assets were withdrawn from them.

**The ability to quickly and easily convert to cash means without experiencing significant loss in value from, for example, the lack of a ready market, or incurring significant costs or penalties.** (Significant costs or penalties includes, but is not limited to surrender charges, withdrawal penalties and/or tax penalties)

Examples:

- Assets held in a qualified retirement account by a customer who is younger than 59 and a half would not be considered liquid assets.
- Investments held with an unexpired surrender charge would not be considered liquid assets (Mutual fund or annuities).
- Short-term withdrawal of SIMPLE plan contributions within two years of deposit, regardless of age of participant.
- Equity values in vacation homes, businesses or rental property would not be liquid assets.

Questions related to this definition should be directed to [compliance@pcsbdd.net](mailto:compliance@pcsbdd.net).

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