



PORTFOLIO	COST BASIS	LIQUIDITY NEED	SBLOC RATE	EXP. RETURN	LTCG + NIIT	HORIZON
\$4.00M	\$1.60M	\$600,000	6.20%	7.00%	23.8%	10 yrs

PROJECTED ADVANTAGE AFTER 10 YEARS

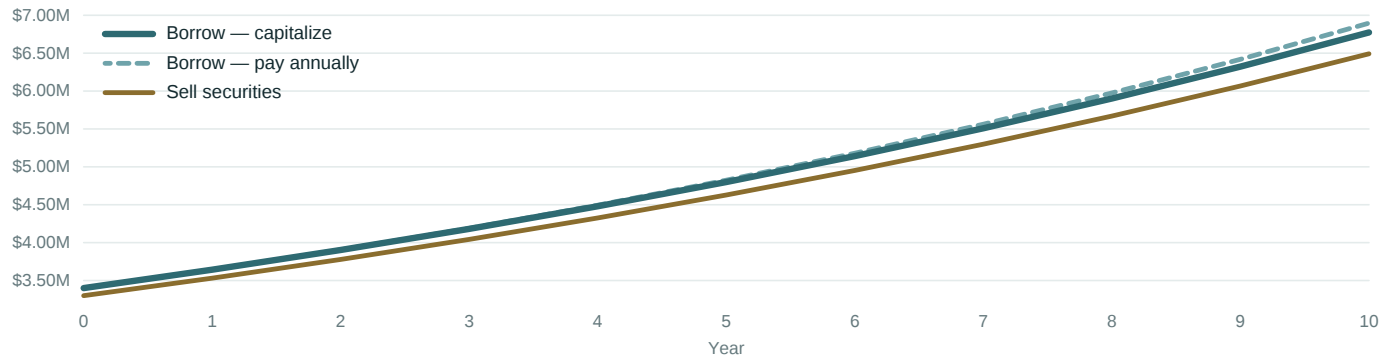
Borrow by \$282K

Selling today liquidates \$700K and realizes \$99,953 in capital-gains tax; borrowing preserves the position at 15.0% LTV. Paying interest annually instead of capitalizing: advantage \$405K. Break-even: at expected returns below 4.6%, selling wins.

The cost of interrupting compounding

Shares sold today stop working forever. The \$700K that selling would liquidate instead stays invested and compounds to **\$1.38M** by year 10 — more than covering the \$1.09M loan payoff, and netting the advantage above.

Net position by year at the expected return



Projected net position (portfolio value less outstanding loan)

	Borrow — capitalize	Borrow — pay annually	Sell securities	Advantage*
Year 0	\$3,400,000	\$3,400,000	\$3,300,047	+\$99,953
Year 1	\$3,642,800	\$3,642,800	\$3,531,050	+\$111,750
Year 3	\$4,181,510	\$4,188,572	\$4,042,699	+\$138,811
Year 5	\$4,799,668	\$4,824,207	\$4,628,486	+\$171,182
Year 10	\$6,773,650	\$6,896,605	\$6,491,691	+\$281,959

*Advantage of the capitalized borrow strategy over selling. Pay-annually figures assume interest is funded from outside cash flow (uninvested).

Maintenance-call stress test

(market decline in year 1 · maintenance threshold 65%)

Market -20%		LTV 18.6% — No call
Market -35%		LTV 22.9% — No call
Market -50%		LTV 29.8% — No call

Cushion: the portfolio can decline **77.1%** in year one before a maintenance call is triggered.

Key considerations

- Exit paths for the loan: repay from future cash flow, refinance, or carry the position for a potential basis step-up at death; the balance does not resolve itself.
- Headline figures capitalize interest (added to the loan balance); the pay-annually column assumes interest is funded from outside cash flow.
- The borrow strategy defers capital-gains realization; under current law, deferred gains may receive a basis step-up at death.
- A sustained market decline early in the horizon materially increases maintenance-call risk; the cushion above is the key risk metric.
- Loan rates float; a 1% rate increase over the full horizon would reduce the capitalized borrow advantage by roughly \$107,583.