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Higher

Rates:

Cash & lending
strategies for the \$1 to
\$10 million market

February 2023





Agenda & Speed Recap!



2021 / 2022:

Buy

Borrow

Die

More recently...

funds walloped
teoric rise of
h as GameStop
n January are
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"Black Widow"
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k office in the U.S.
according to pre-
lio estimates. B2

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the Sacra-
VBA team,
people famil-
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aware court the
he roughly \$2.1
ination of Tesla
ty in 2016. B4

ld-Wide

lex international
tax deal that took

Low Rates, Hot Market Propel Wealthy to Step Up Borrowing

BY RACHEL LOUISE ENSIGN
AND RICHARD RUBIN

Rising stocks and rock-bottom interest rates have delivered a big perk to rich Americans: cheap loans that they can use to fund their lifestyles while minimizing their tax bills.

Banks have said their wealthy clients are borrowing more than ever before, often using loans backed by their portfolios of stocks and bonds. Morgan Stanley wealth-management clients have \$68.1 billion worth of securities-based

and other nonmortgage loans outstanding, more than double five years earlier. Bank of America Corp. said it has \$62.4 billion in securities-based loans, dwarfing its book of home-equity lines of credit.

The loans have special benefits beyond the flexible repayment terms and low interest rates on offer. They allow borrowers who need cash to avoid selling in a hot market. Startup founders can monetize their stakes without losing control of their companies. The very rich often use these loans as part of

a "buy, borrow, die" strategy to avoid capital-gains taxes.

Many wealthy people are also borrowing against their portfolios. When Tom Anderson started at Merrill Lynch & Co. in Cedar Rapids, Iowa, in 2002, many of his fellow advisers had just one or two securities-based loans in their book of business. Over the years, he encouraged more clients to borrow and noticed peers doing the same. Now it is common for advisers at big firms to have dozens of these loans outstanding, he said. Merrill Lynch is now a

part of Bank of America.

"You could buy a boat, you could go to Disney World, you could buy a company," said Mr. Anderson, who now consults with banks on how to manage the risks associated with these loans. "The tax benefits are stunning."

For borrowers, the calculation is clear: If an asset appreciates faster than the interest rate on the loan, they come out ahead. And under current law, investors and their heirs don't pay income taxes unless their

Please turn to page A4

this weekend in Venice, Italy, following the earlier endorsement from a broader 130-country group. The plan, aimed at limiting corporate tax avoidance, would revamp longstanding international rules and is crucial to President Biden's plans to raise corporate taxes.

"The world is ready to end the global race to the bottom on corporate taxation, and there's broad consensus about how to do it," Treasury Secretary Janet Yellen said.

As detailed negotiations continue, other countries will look to see if U.S. lawmakers implement a minimum corporate tax of at least 15% and embrace new rules for dividing the power to tax the largest companies. Congress will stare back, monitoring how quickly other countries create minimum taxes and remove unilateral taxes on digital companies that have drawn bipartisan U.S. opposition.

*"The rest of the world is
Please turn to page A2*

...safety returning to Earth. The company plans to initiate commercial passenger service next year. A3

THE WALL STREET JOURNAL.

JONES | *Market Corp* *****
MONDAY, JULY 12, 2021 - VOL. CCLXXXVIII NO. 9 **WSJ.com** ***** \$5.00
DAX 14870.16 ▲03.81 0.2% NASDAQ 14701.92 ▲0.4% STOX600 457.67 ▲0.2% 10-YR TREASURY ▲24/32, yield 1.354% OIL \$74.56 ▼\$0.60 EURO \$1.1079 YEN 110.12

What's News

Business & Finance

stocks and rock-bottom interest rates have led a big perk to rich Americans: cheap loans they can use to fund their lifestyles and minimize tax bills. A1

Internet regulator said requiring data-security reviews by foreign listings, explicit for the first time, security requirements married last week's rally by Didi Global. B1

Street is heading into a season of high expectations as big profits fueled market rally in the first half of the year. B1

U.S. funds wallpapered a historic rise of oil as GameStop in January are trying to get out of those losses. B1

"Black Widow" is set to make \$1.9 billion at the office in the U.S. according to pre-release estimates. B2

Dylan is set to make as the Sacramento team, people familiar with the matter. B3

being called to assess court the he roughly \$2.1 billion of Tesla by in 2016. B4

id-Wide

tax international deal that took summer out will be a tough test in the weeks after the G-20 plan following an exit from a broader group. A1

Branson reached space and safely returned to Earth, a trip that marks the entrepreneur's debut to help create tourism industry. A3

ands of Cubans are in Havana and 14 other cities since the start of the

Space Race Takes Branson Aloft on Passenger Rocket Plane



HIGH RIDE: Entrepreneur Richard Branson floated inside Virgin Galactic's rocket plane on Sunday after reaching the edge of space before safely returning to Earth. The company plans to initiate commercial passenger service next year. A3

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Global Tax Deal Faces Big Hurdle in Congress

Despite G-20 backing, plan to collect more from corporations has hard path to pass in U.S.

By RICHARD RUBIN

WASHINGTON—A complex international corporate tax deal that took years to hammer out soon faces one of its toughest tests: the U.S. Congress.

The Group of 20 major economies backed the plan this weekend in Venice, Italy, following the earlier endorsement from a broader 130-country group. The plan, aimed at limiting corporate tax avoidance, would revamp longstanding international rules and is crucial to President Biden's plans to raise corporate taxes.

"The world is ready to end the global race to the bottom on corporate taxation, and there's broad consensus about how to do it," Treasury Secretary Janet Yellen said.

As detailed negotiations continue, other countries will look to see if U.S. lawmakers implement a minimum corporate tax of at least 15% and embrace new rules for dividing the power to tax the largest companies. Congress will stare back, monitoring how quickly other countries create minimum taxes and remove unilateral taxes on digital companies that have drawn bipartisan U.S. opposition.

"The rest of the world is Please turn to page A4 Please turn to page A2

Covid-19 Origins Elude Bat Scientists

Finding proof that bat viruses cause outbreaks in humans has been perplexing

By ANNE DOCKERTY MARCUS

Since the start of the

Italy Jolts England to Win European Championship



Quick story about the story...





What is it?

Let's walk through the big picture:

- Who are they?
- What do the companies have in common?
- What do they have in common?
- Taxes
- Liquidity



Just them?

Who else is in this club?

OCTOBER 26, 2021

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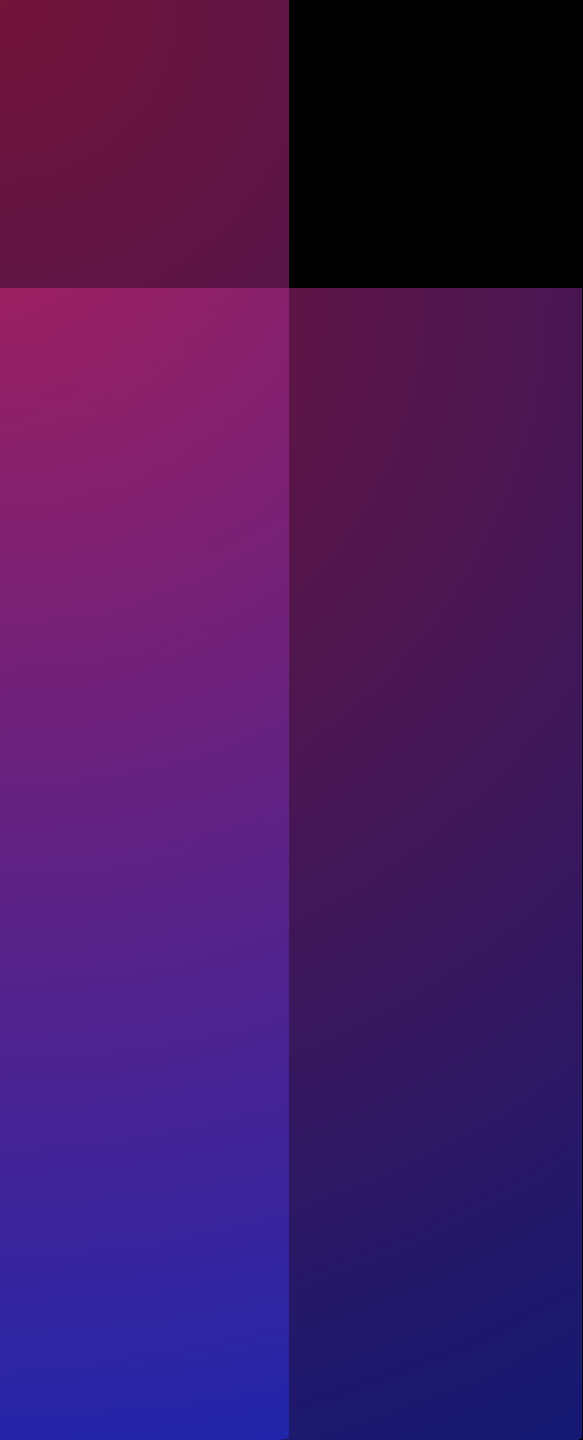
Photographer: Stefani Reynolds/Bloomberg

Taxes

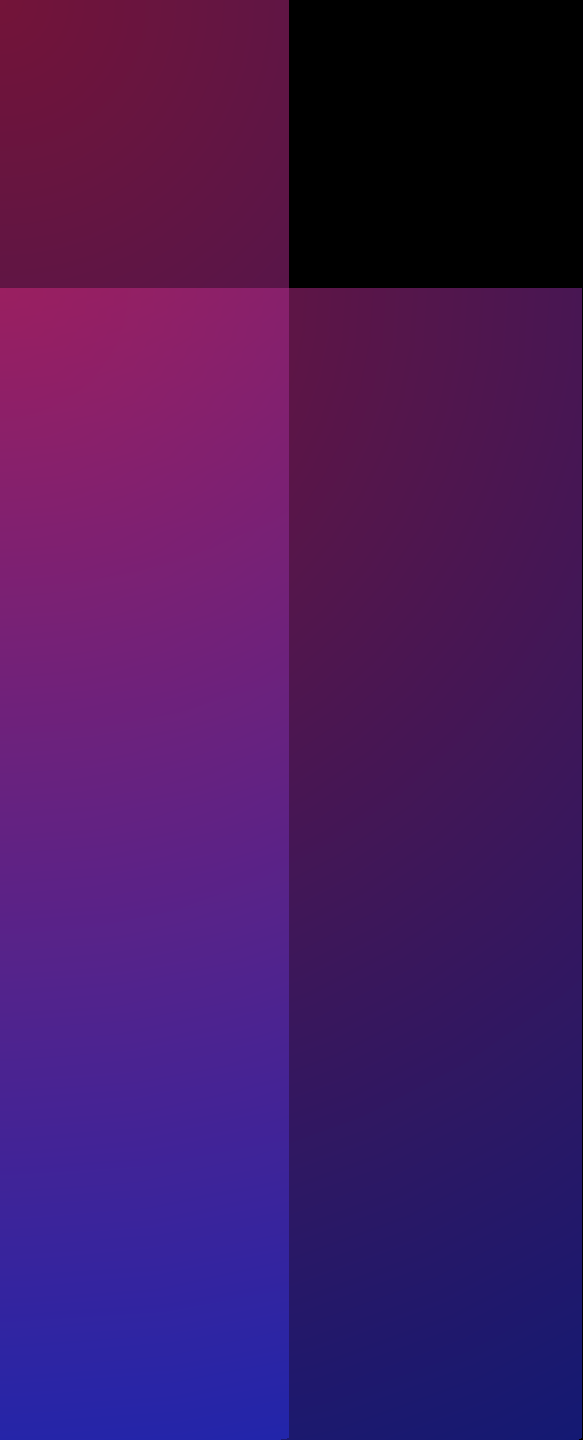
Democrats Target 'Buy, Borrow, Die' With Their Billionaire Tax Plan

By [Ben Steverman](#), [Sophie Alexander](#), and [Scott Carpenter](#)

October 26, 2021, 8:19 AM CDT



What LTV do you think
you see in the
billionaire market?



What LTV do you think
you see in the **retail**
market?

Where should
LTV's be
today?

A background graphic featuring a network of white nodes connected by thin white lines, set against a teal-to-blue gradient. A vertical purple-to-blue gradient bar is on the left side.

Debt as a negatively correlated asset...

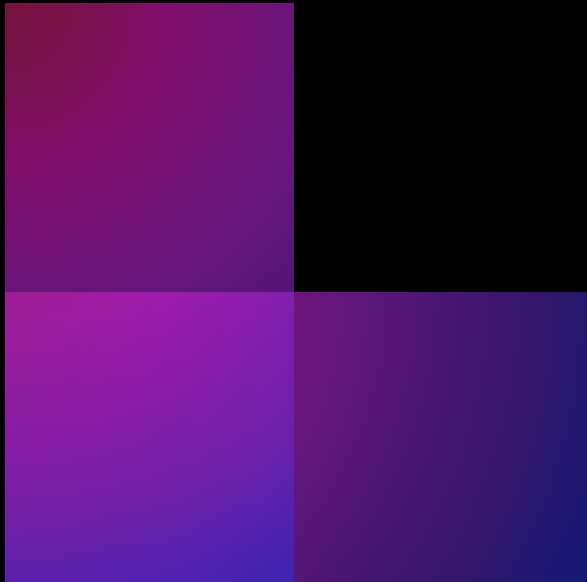
New Stuff & Take away:



People (your clients and prospects) borrow money.



They should do so thoughtfully, strategically, and responsibly – as part of a comprehensive plan.



Take away for the
1 to \$10 million market in 2023:
**This market borrows money
money.**

1. What percentage does?
2. Why?
3. Should they?

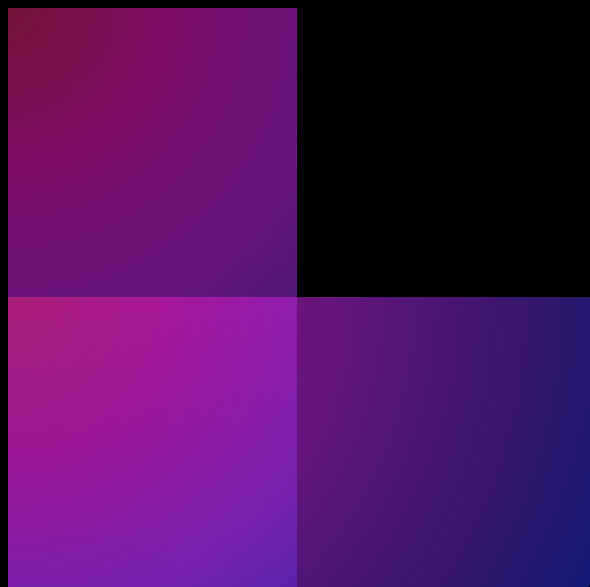


So, they have debt =

You need a debt
philosophy.



Is that all?





phi·los·o·phy

/fəˈlæsəfē/

noun

the study of the fundamental nature of knowledge, reality, and existence, especially when considered as an academic discipline.

- a particular system of philosophical thought.

plural noun: **philosophies**

"Schopenhauer's philosophy"

- the study of the theoretical basis of a particular branch of knowledge or experience.

"**the philosophy of science**"

Similar:

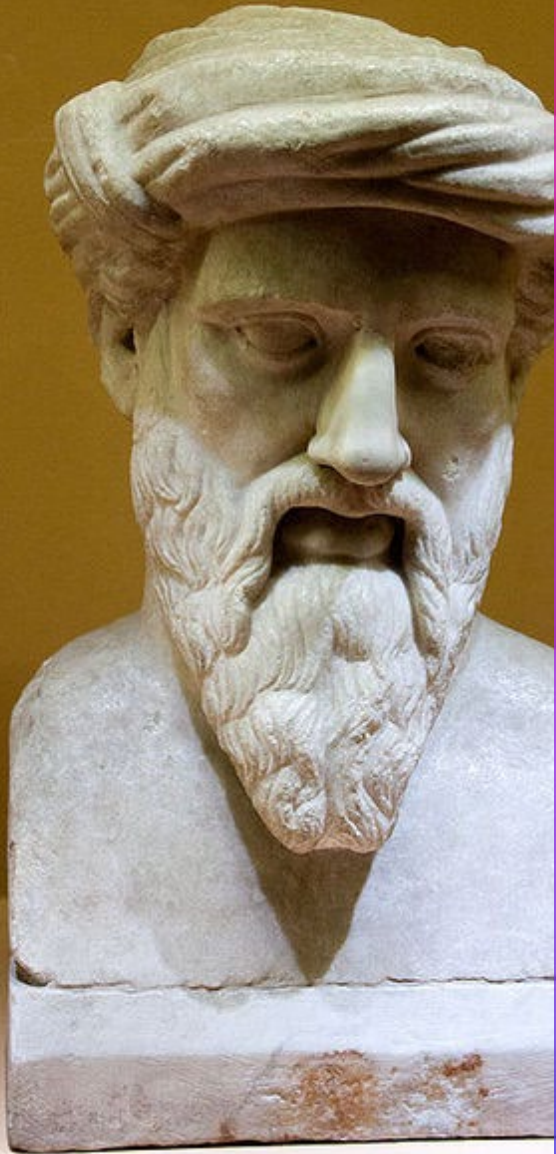
thinking

reasoning

thought

wisdom

knowledge



Questioning

Critical discussion

Rational argument

Systematic presentation



But why?

Iron Wall:
Separate Ideas

Liquidity

Borrowing

Proactive!

Cash

Case # 1:

California

Case #2:

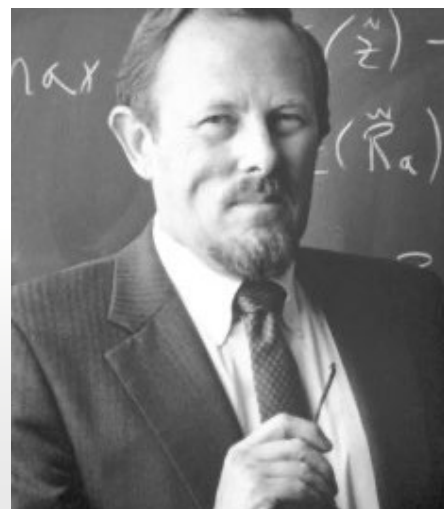
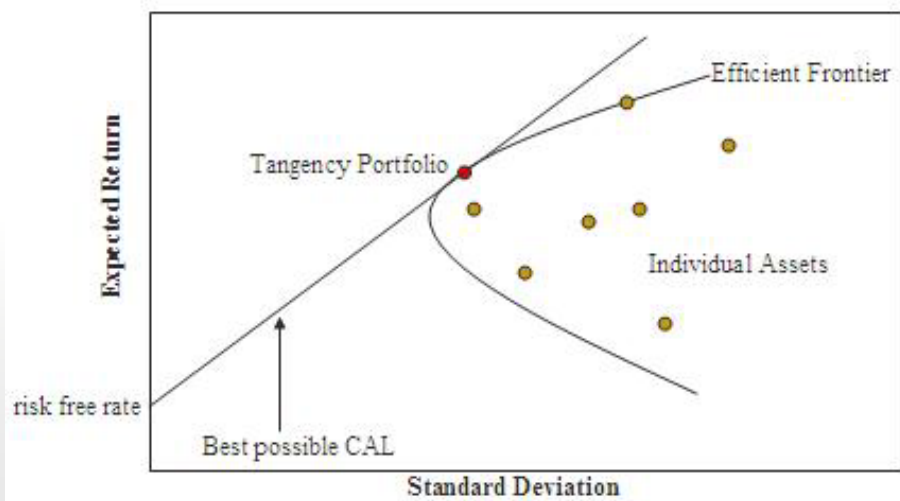
Iowa

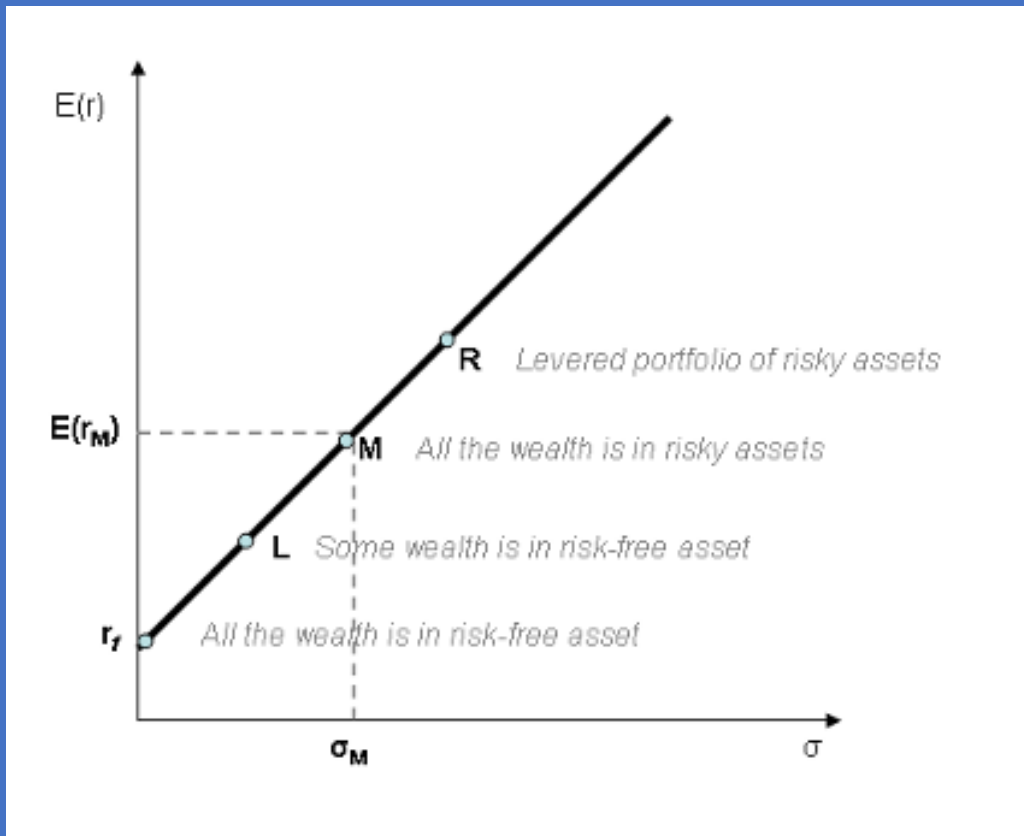
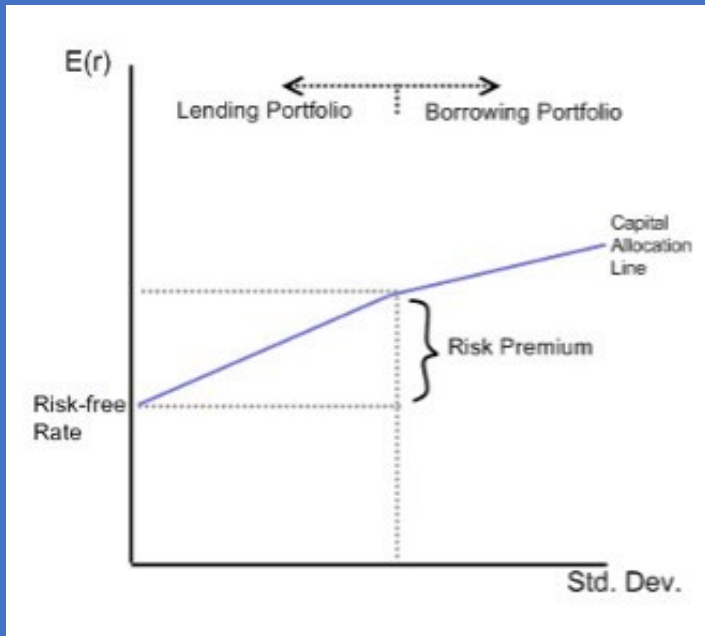
Case #3:

Everyone else

A close-up photograph of a person's hands holding a small, square, red gift box. The box is wrapped in red paper with a subtle diamond pattern and is tied with a red ribbon in a bow. The person is wearing a blue suit jacket and a white shirt cuff is visible. The background is dark and out of focus. On the right side of the image, there is a vertical gradient bar transitioning from purple to blue.

Ready for
the big
surprise?







Questions ...

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Securities-Based Lending (SBL). SBLs can be risky and are not suitable for all investors. Before opening an account, you should understand the following risks:

- The firm issuing the loan can call the loan at any time and for any reason.
- Sufficient collateral must be maintained to support the loan(s) and to take future advances.
- Clients may have to deposit additional cash and/or eligible securities on short notice. Some or all of a client's securities may be sold without prior notice in order to maintain account equity at required maintenance levels. Clients will not be entitled to choose the securities that will be sold. These actions may interrupt their long-term investment strategy and may result in adverse tax consequences or in additional fees being assessed.
- Firms typically reserve the right not to fund any advance request due to insufficient collateral or for any other reason.
- Firms can increase the collateral maintenance requirements at any time without notice.
- There may be minimum line sizes and minimum initial draws.
- Disbursements are subject to the available credit and are at the sole discretion of the firm.
- Credit lines are always subject to credit approval.
- Clients should consult their legal and tax advisors regarding the legal and tax implications of borrowing using securities as collateral for a loan.

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Important Notices - continued

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