

9/11 FAMILIES | ENDOWMENT LOGIC

The "Fresh Start" Portfolio Reset

Unlocking frozen capital through the Double Step-Up Basis maneuver to eliminate decades of embedded tax liabilities.

BOTTOM LINE UP FRONT

Families holding investments for 20+ years are often "locked" into positions by massive hidden tax debts. Selling old stocks or property can trigger a 20% to 30% tax hit, effectively freezing your capital in stagnant assets.

The Problem: The Capital Gains Trap

Many 9/11 families hold investments and real estate that have appreciated significantly over the past two decades. While this growth appears positive on paper, it creates a hidden liability: unrealized capital gains that can represent 20-30% of the asset's current value.

This "embedded tax" effectively locks families into outdated portfolios. A stock purchased at \$10 per share that is now worth \$100 carries a \$90 per share capital gain. Selling to rebalance into a more appropriate allocation would trigger a federal tax of up to \$21.60 per share (including the 3.8% Net Investment Income Tax), plus state taxes. For families with hundreds of thousands in appreciated positions, this creates a six-figure barrier to rational portfolio management.

The result is what we call "portfolio paralysis" -- families hold concentrated, outdated positions because the cost of selling is too painful, even when those positions no longer serve their financial objectives.

The Solution: Double Step-Up Basis

We utilize a "Double Step-Up" maneuver to reset the starting price of your portfolio to today's market value, legally erasing decades of accumulated capital gains.

How It Works

In community property states, when one spouse passes, both halves of jointly-held assets receive a step-up in cost basis to fair market value -- even the surviving spouse's half. This "double" step-up eliminates all embedded gains in a single event.

For families not in community property states, we utilize Community Property Trusts now available in several states, achieving the same result through proper trust structuring. The key is establishing these structures before they are needed.

The Practical Impact

A portfolio with \$500,000 in unrealized gains could save \$100,000-\$150,000 in capital gains taxes through a properly executed

step-up strategy. This freed capital can then be redeployed into a modern, diversified portfolio optimized for current market conditions and the family's actual financial needs.

The Goal

To erase decades of capital gains, allowing you to move into modern, higher-performing investments with zero tax friction. The "fresh start" gives families the freedom to build a portfolio that reflects their current goals -- not the investment decisions of twenty years ago.

Who Benefits Most

This strategy is particularly valuable for families with: concentrated stock positions held since before 9/11; real estate with significant appreciation; inherited portfolios that have never been rebalanced; or any situation where unrealized gains exceed \$100,000.

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