



Carton Wealth

Securities-Backed Lending Program

Last Revised: 11/11/2024

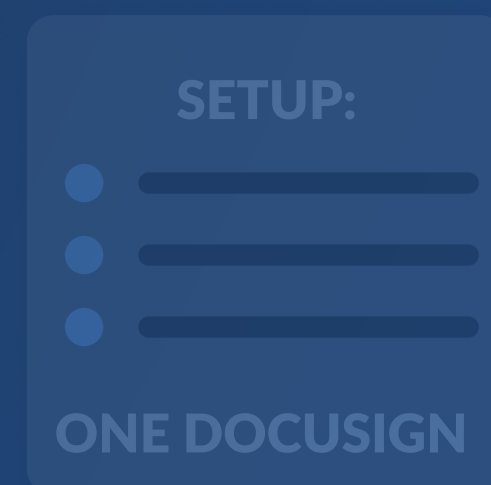
OVERVIEW

Carton Wealth is an innovative securities-backed lending program for your clients. It features:

- Lower interest rates compared to margin or SBLOC/PAL products;
- No maintenance overhead from pledged accounts.

WHO IS IT FOR?

Independent RIAs looking for a cost-efficient and tax-optimized way to meet the **liquidity** and **loan refinancing** needs of their clients.



LOW INTEREST + TAX OPTIMIZED

Interest rate 1.5-2%+ lower than other lending programs.

Interest expense are tax-deductible as capital loss for all use cases (IRS Sec. 1256).

Tax deduct-ability of other lending programs limited to specific circumstances.

NO MAINTENANCE OVERHEAD

Sub-advisory model, works directly in clients' brokerage account.

No client or lender approvals needed to distribute collateral, ACH transfer, etc.

Supports aggregated collateral from multiple accounts.

INTEREST RATES¹

The synthetic loan market provides competitive pricing. Interest expenses are deductible as capital losses, regardless of use cases.

¹ Interest rate is quoted as of 11/11/2024. Actual interest rate depends on market conditions.

² SOFR: Secured Overnight Financing Rate. It is 4.60% as of 11/11/2024

Carton Wealth Loan Products	Interest Rates
LINE OF CREDIT	CURRENT: 5.20% SOFR ² + 0.30% - 0.60%
1-YEAR FIXED	4.70%
5-YEAR FIXED	4.30%

MANAGEMENT FEES

Annual: 0.50%; discounts available.

Fees are based on the amount borrowed via box spreads. Billed monthly.

PRODUCT COMPARISON

	Carton Wealth Securities-Backed Lending Program	Margin Loans	Securities-Backed Lines of Credit (SBLOCs)
Interest rate	5.30%	10%+	6.5-8%
Fixed-rate option	Up to 5 years	Not offered	Availability limited
Tax deductibility of interest expenses	Yes, regardless of the purpose of the loan.	No, except when used to buy more investments.	No, and cannot be used to buy more investments.
Minimum draw amount	\$10,000	N/A	\$70,000 (Schwab Pledged Asset Line)
Borrowing power	More flexible Up to 50% of the portfolio; 85% for portfolio margin acct	More flexible Up to 50% of the portfolio; 85% for portfolio margin acct	Less flexible 50% - 70% of the portfolio; no concentrated positions
Maintenance call risk	Lower Can withstand at least 28.5% decrease in portfolio value	Lower Can withstand at least 28.5% decrease in portfolio value	Higher Might be called immediately if portfolio value decreases

RISKS DISCLOSURE

Maintenance call risk

If the client's investment portfolio drops in value and falls below the margin maintenance requirement, they may receive a maintenance call and may be required to sell their investments. Carton Wealth has comparable or lower margin call risk as margin loans or SBLOC.

Interest rate risk

Carton Wealth uses box spreads in the underlying structure. It functions like a zero-coupon bond and the same interest rate risk as any other fixed-income investment applies, especially for longer-termed fixed rate products. Clients can choose the floating rate option and minimize the interest rate risk.

Execution risk

In extreme market conditions (e.g. market closures), Carton Wealth might fail to roll over the box spreads due to lack of liquidity in the market. In this case, the client's account will automatically take out a margin loan and may need to pay the higher margin interest, until execution is restored.



FREQUENTLY ASKED QUESTIONS

What is the box spread strategy used by Carton Wealth?

It uses a combination of four exchange-listed S&P 500 Index options to create a fixed payoff structure at a future date. Carton Wealth trades them on behalf of clients to borrow money at competitive interest rates set by the options market.

Where can I read more about box spreads?

The CME Group has a [good article](#) about it. Quote from the article:

“Market participants have used options box spreads as a financing tool for decades. Indeed, on any given day, a handful of large box spread trades, worth upwards of hundreds of million dollars, are consummated.”

You can also [read about it](#) from the Options Clearing Corporation, which clears all options trading in the US.

Who are the lenders on the box spread market? Where does the money come from?

The lenders include institutional market participants such as options market makers and hedge funds. Notably, the [BOXX ETF](#) (\$3 billion AUM) was created in December 2021 to invest cash into box spreads.

What is the role of Carton Wealth?

Carton Wealth acts as a sub-advisor to implement the Carton Wealth Securities-Backed Lending Program. You can use this strategy along with existing investments or managed accounts (e.g. TAMPs, SMAs, UMAs). Set up a meeting with Carton Wealth to discuss the best way to offer this to your clients.

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SyntheticFi LLC (dba Carton Wealth) is an SEC-registered investment advisor. Read more about SyntheticFi LLC on SEC website: [Form ADV Part 2A](#) and [Form CRS](#).

DISCLOSURES

Carton Wealth does not provide tax, legal, or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal, or accounting advice.

You should consult your own tax, legal, and accounting advisors before engaging in any transaction. Investing carries inherent risks, and investment outcomes are not guaranteed unless stated otherwise.

Before adopting any investment strategy, we strongly recommend consulting with a qualified financial advisor and/or tax professional.