



Strategic Credit Insight



Wealth
Management

Need cash? The math behind whether you should borrow or sell investments

Everyone is concerned about quick access to cash, particularly in times of uncertainty or in a crisis. Cash not only allows us to purchase homes or investments but also buy groceries, gasoline and keep the lights on. For some of us, however, it means tapping into our investment accounts that may have been heavily weighted in equities over the last decade given the average 14%+ annual returns.¹ Converting those accounts to cash today may mean selling securities that likely contain large, unrealized capital gains given recurring years of unfettered growth. Unfortunately, a short-term and immediate need for cash can tempt the best of us to make emotional or rash financial decisions.

With growing market volatility and a dynamic interest rate environment, strategic use of credit is even more important and impactful to wealth planning. What if I need cash today but don't want to pay resulting capital gains taxes? Should I sell my investments? Should I borrow? The decision can be a difficult one fraught with understandable anxiety and fear in the wake of historic market volatility. We can help ease that fear by using a bit of simple math to remove some unwanted emotion from the equation.

Understanding the break-even point of borrowing versus selling

The break-even point (BEP) of borrowing versus selling investments is a calculation of interest charged versus capital gains taxes paid and does not take risk appetite, investment strategy or human anxiety into account. It can best be described as the point at which the mathematical cost of borrowing exceeds capital gains. The formula is quite a simple one:

$$\text{BEP} = (\text{Capital gain} \times \text{tax rate}) / (\text{Loan amount} \times \text{interest rate})$$

The BEP is expressed in a term of years.

Capital gains — Securities that have appreciated in value from the price that you originally paid may contain unrealized and yet-to-be-taxed built-in capital gains. If you sell those securities, you will **realize the gain** and owe tax on it. Realized capital gains on these sales will then be characterized as either LTCG (long-term capital gains) or STCG (short-term capital gains). The difference between LTCG and STCG is that LTCG is applicable to securities sold that have been held for more than one year.

To determine your capital gain, take the price sold (minus any commissions paid) minus your basis (the original price you paid). The difference is your capital gain. Next, you need to determine your LTCG or STCG tax rate.

Tax rate — LTCG is applicable to securities held for more than one year and is taxed at a rate of up to 20%. More specifically, the LTCG rate for 2026 is 20% for married couples filing jointly with a taxable income > \$613,700 or 15% for couples with taxable income > \$98,900 but < \$613,700.

In contrast to LTCG, STCG—or gains on securities sold that have been held for less than one year—are taxed at the rate of your personal income tax bracket with the highest possible being 37% for married couples filing jointly with taxable income > \$768,701 (although five of the seven STCG tax brackets exceed the highest possible rate you would pay on LTCG). If you are unsure, your tax or financial advisor should be able to tell you whether you would have LTCG or STCG on the sale of your investments as well as your applicable tax bracket.

Loan amount — This is the amount you plan to borrow (or have borrowed) exclusive of interest.

Interest rate — This is the interest rate that will be charged on your loan

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amount. If you are unsure of your interest rate (often shown as your APR), you should contact your lender or review your latest loan statement.

In summary, don't let your emotions guide the economic choices you make. To help evaluate the financing options available to you, the BEP equation may offer one more judicious arrow in your financial decision-making quiver.

Next steps

Engage your RBC Wealth Management financial advisor to learn more about your portfolio liquidity options.

Applying an example

Craig is seeking \$100,000 to cover some unforeseen expenses over the next few months. He does not have the cash readily available. To proceed, he can sell a portion of his investment account or borrow the money. When reviewing his investment portfolio with his financial advisor, Craig learns that, even in the best-case scenario, the selling of \$100,000 worth of securities in his account would result in \$40,000 of LTCG, which would be taxed at 20%, since Craig and his wife earn > \$613,700 annually. Alternatively, he is eligible to obtain a \$100,000 loan at a 6% interest rate. Using the formula from the previous page as a guideline, assuming Craig is a suitable candidate for debt, he should seriously consider borrowing if he has a means to pay off the loan in one year or less. Otherwise, he should consider selling.

$$\text{BEP} = (40,000 \times .20) / (100,000 \times .06)$$

$$\text{BEP} = (8,000) / (6,000)$$

$$\text{BEP} = 1.33 \text{ (years)}$$

This example is for illustrative purposes only and is not representative of any investment vehicle or individual client experience. Results may vary.

1. S&P 500 14.7% average return over last 10 years. Source: 2026 [TradeThatSwing](#)

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