VITAL SIGNS

Conversations about taxes.

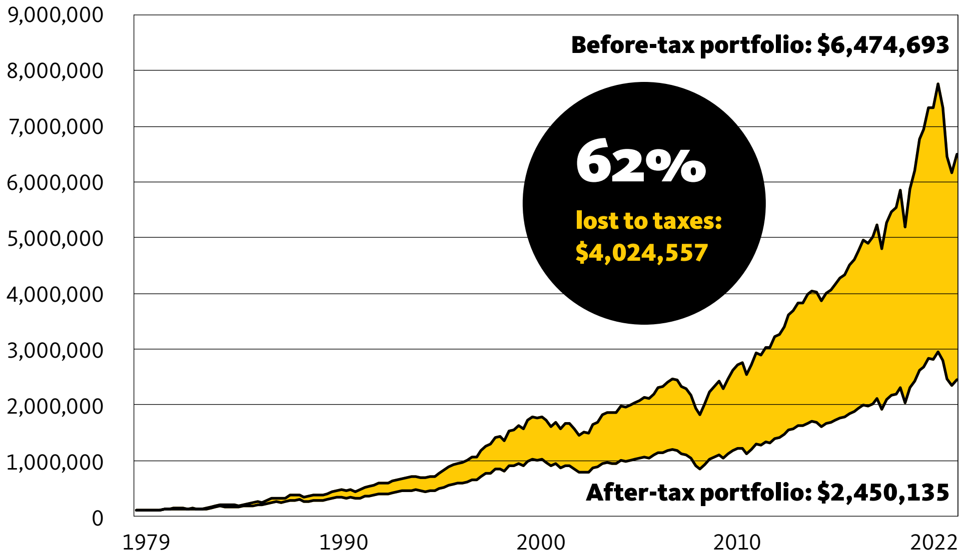
Taxes may be one of life's certainties, but a proactive approach that seeks to systematically mitigate tax consequences can make a difference in your portfolio's net (after-tax) returns over the long haul.

Don't let taxes drag you down.

Most of us think of taxes once a year—right around spring training. That's not good enough. If you fall into this category, it's a safe bet that you aren't maximizing your portfolio's true potential. Our research has shown the impact of ignoring (or mismanaging) the tax implications of your portfolio. What may seem like a pittance can grow into a shocking difference over time.

It's not what you earn, but what you keep.

Taxes reduce performance over time—and likely more than you think.



Parametric Portfolio Associates: Based on a hypothetical tax-free $100,000 portfolio invested 60% in stocks (based on the Russell 3000) and 40% in bonds (based on the Bloomberg Barclays Aggregate). Assumptions: (1) no liquidations. (2) interest income and dividends taxed annually at current top marginal tax rates. (3) capital gains realized at 50% per year and taxed at the current long-term capital gains tax rate. (4) portfolio held for 43 years (from 1979-2022). The intent is to portray a worst-case scenario. The portfolio would have grown from $100,000 to about $6.4 million. If the portfolio was taxed as indicated above, it would have lost 62% of its value, due to taxes paid and earnings lost on that money. Tax-managed investment strategies are designed to minimize capital gains distributions and maximize after-tax returns. **Past performance is no guarantee of future results. There are risks involved with investing,** including loss of principal. Index returns are for illustrative purposes only and do not represent actual fund performance. Index performance returns do not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an index. Results will vary as the amount of federal income tax paid depends on both the investor's tax bracket and how long the investment is held.

MIND OVER MATTER

Keep more of what you've earned. Tax drag can be controlled and remains a tangible source of alpha.

Tax-smart solutions can be automated and implemented across your entire portfolio or targeted to specific areas.

Tax triggers aren't just limited to winning trades. There are a variety of tools to harness tax alpha, such as tax-loss harvesting and timely portfolio rebalancing.

One path to better tax management.

1 **Be proactive.**
Don't simply wait until year-end or tax season to think about taxes. Meet with your advisor to implement a comprehensive tax-management strategy—one that can help deliver meaningful results regardless of market conditions.

2 **Identify the most appropriate tax-managed solutions and techniques.**
This might include tax-loss harvesting, tax-lot accounting, gain-loss offset, or managing the holding periods of securities. Your advisor might even recommend a tax overlay that can be applied to your entire portfolio.

3 **Select investments designed to protect against tax drag.**
This could include an array of tax-managed mutual funds, ETFs, or separately managed accounts (SMAs) designed specifically for this purpose.

4 **Keep more of what you earn.**
Help harness tax alpha by employing tax management techniques year-round, and revisit the issue periodically with your advisor.

Portfolio health check.

- Adopting a tax-smart approach doesn't need to be overwhelming. A financial advisor can help you efficiently construct an investment portfolio into one that is focused on managing and mitigating tax consequences.
- Separately managed accounts may be the ideal structure for implementing effective and automated tax-smart strategies, though this can also be achieved with a portfolio of mutual funds and ETFs.
- Tax-smart solutions can be customized based on individual investors objectives and preferences.

Definitions

Rebalancing: The process of returning the values of a portfolio's asset allocations to the levels defined by an investment plan. Those levels are intended to match an investor's tolerance for risk and desire for reward.

Tax alpha: The potential value created by implementing effective tax-management strategies in an investment account.

Tax-loss harvesting: A proactive strategy investors use to reduce capital gains taxes from winning trades.

Tax-lot accounting: A method of accounting for securities in a portfolio that tracks the cost basis and provides the potential for effective swapping of like securities, in certain circumstances.

Gain-loss offset: Choosing to sell securities at a loss at year-end to help offset gains from other securities sold for a gain.

Managing the holding period: Used to determine how the capital gain or loss should be taxed because long-term investments (greater than 12 months) tend to be taxed at a lower rate than short-term investments.

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