VITAL SIGNS: TAX MANAGEMENT

Are you a tax-smart investor?

How to keep more of what's yours.

Did you know that taxes are one of the biggest detractors of your overall investment performance? The good news is they can also be one of the easiest to control.

Are you a tax-smart investor?

Ask yourself these four questions to find out.

1. **Did you know that your taxes can be significantly impacted by the amount of time you hold onto an investment before you sell it?**

   When you sell an asset for more than what you paid, you create a gain—your profit. Gains are taxed differently depending on whether you held the asset for more or less than a year before selling it.

2. **Do you know what your after-tax return is?**

   Taxes impact every investor, regardless of income level.

3. **Are you actively planning your level of charitable donations with your advisor to minimize your taxes?**

   Working with your advisor, you can find lots of ways that charitable contributions can be utilized to mitigate tax liabilities through reducing taxable income or deferring capital gains.

4. **Do you know the current impact taxes are having on your overall investment portfolio?**

   Make tax management a part of your regular conversations with your financial advisor. Your advisor can calculate your after-tax return and help you explore other strategies to keep more of what you have earned.

If you answered **no** to any of these questions, keep reading and then work with your financial advisor to learn which tax strategies make the most sense for you.

How to keep more of what you earn

Your financial advisor can show you multiple tax-smart strategies that can help reduce the impact of taxes on your investment portfolio. Read below to learn about different tax-smart techniques, and then work with your advisor to explore putting them in place.

Tax-loss harvesting

Tax-loss harvesting can mean that not all investment losses are a bad thing. It can help you reduce your overall tax liability by offsetting your gains with losses. First, you and your financial advisor sell assets that are currently valued at a lower price than you paid for them—creating a loss. You can then use the loss from the sale to offset capital gains you might have generated elsewhere in your portfolio. The result can be a lower overall tax bill.

Tax-managed portfolio design

Tax-managed portfolio design uses tax-free municipal bonds and emphasizes tax-favored investments in taxable accounts in an effort to optimize after-tax returns.

Tax lot coordination

Tax lot coordination begins with each tax lot, which is a record of each transaction and its tax implications within your portfolio. Tax lot accounting is a technique that tracks every tax lot in your portfolio and strategically identifies which tax lots to sell based on the holding period and gain or loss.

Tax-smart withdrawals and rebalancing

Tax-smart withdrawals and rebalancing means optimizing trades to sell assets whenever they need to be sold—whether it's to generate income or to rebalance your asset mix. Optimizing could mean reducing the number of trades to avoid excessive tax liability or selling assets with lower levels of gains.

Holding period management

Capital gains realization strategies can help spread investment gains out over time to ease the tax impact. Capital gains are realized when you sell an asset for more than you purchased it for. That profit you've earned will be taxed differently, depending on how long you held that asset before you sold it.

Portfolio transition management

Portfolio transition management happens when you are able to transfer assets from one investment portfolio to another, as opposed to selling them from one portfolio and buying them in the other portfolio. Keeping a portion of the investments intact creates a foundation to build on and helps avoid triggering a tax liability.

Efficient gifting strategies

Gifting strategies can be implemented a number of ways and can be useful to help reduce tax liabilities in a single year and over time. Your financial advisor can assist you in creating a charitable gifting plan and/or establishing a donor-advised fund to give in a tax-efficient way.

Every day is a good day to talk with your financial advisor about taxes. It's VITAL.

Taxes are complicated, but your financial advisor is your best resource to help you understand and implement the tax strategies that are right for you. Staying tax smart may help you manage the impact of taxes on your investments.

At SEI, tax management is part of what we do every day – not just ahead of tax time. We take a proactive and holistic approach to managing investment portfolios, implementing a range of tax-smart strategies for advisors to use with their clients – all part of our effort to build a better financial future, together.

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