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The Next Logical Step

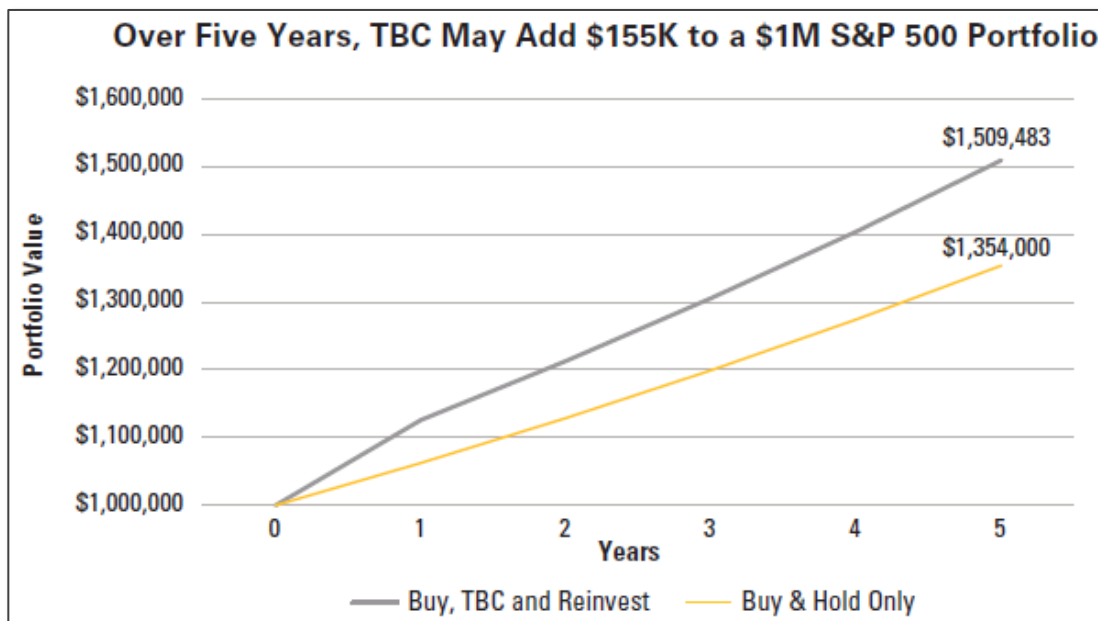
Highlights from white paper: *Future Value of Tax Benefits: A Penny Saved May Be Two Pennies Earned* which can be downloaded [here](#).

Indexing has slowly but finally gained mass acceptance, more than four decades after the first retail index fund was launched.¹ Driving the continued adoption of indexed-based investments has been reduced trading costs and lower overall expenses. Yet most taxable investors are still challenged by the negative impact of capital gain taxes on investment returns. Fortunately, there is an [easy-to-implement strategy](#) to offset the tax on capital gains and it can be integrated with a portfolio of exchange traded funds (ETFs). The strategy is **Tax Benefit Capture (TBC)**.²



TBC, sometimes called *tax-loss harvesting*, is not a new strategy, but one in which its time has finally arrived. TBC describes the selling of a position that has declined below its cost basis in order to "lock-in" a realized loss. The realized loss can then be used to offset capital gains.³

Our study found that a TBC program using exchange-traded funds (ETFs) that track the S&P 500[®] Index could add up to 2.9% per year of additional return, or tax alpha, on average over a five-year holding period.⁴



¹ Lim, Dawn. "Index Funds Are the New Kings of Wall Street." Wall Street Journal, September 18, 2019. <https://www.wsj.com/articles/index-funds-are-the-new-kings-of-wall-street-11568799004?mod=searchresults&page=1&pos=16>.

² *Future Value of Tax Benefits: A Penny Saved May Be Two Pennies Earned*, p. 4

³ For more background on tax-loss harvesting, see: <https://www.greenharvestam.com/wp-content/uploads/2018/12/GHAM-Insight-TLH-July-2019-R1.pdf> or <https://www.forbes.com/sites/davidrae/2019/10/28/tax-loss-harvesting/#497abd7458e3>.

⁴ Based on our study looking at the S&P 500 from 12/31/1999 through 12/31/2019.



TBC shares one of the same drivers of the growth of indexing: *The benefit of lowering overall investment costs*. Yet, while cost savings in indexing alone are increasingly measured in terms of basis points, tax savings from TBC can be measured in full percentages.

To efficiently and effectively achieve optimal results, TBC programs require ongoing monitoring and evaluation of not only the individual investor's circumstances, but also positions, exposures, trading costs, available securities, as well as the methodology of the TBC program itself.⁵ The good news is that it could be the next logical step in the sophistication of your portfolio.

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Download the complete white paper here:

[*Future Value of Tax Benefits: A Penny Saves May Be Two Pennies Earned*](#)



⁵ [Future Value of Tax Benefits: A Penny Saved May Be Two Pennies Earned](#), p 12

Disclaimers:

Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, so you may have a gain or loss when the portfolio is liquidated. Current performance may be higher or lower than that quoted. Performance of an index is not illustrative of any particular investment. It is not possible to invest directly in an index.

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Reasons to harvest capital losses, sources of capital gains and the suggestion that mutual funds distribute capital gains are for example purposes only and not meant to be tax, estate planning or investment advice in any form or for any specific client.

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The availability of tax alpha is highly dependent upon the initial date and time of investment as well as market direction and security volatility during the investment period. Tax loss harvesting outcomes may vary greatly for clients who invest on different days, weeks, months and all other time periods.

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