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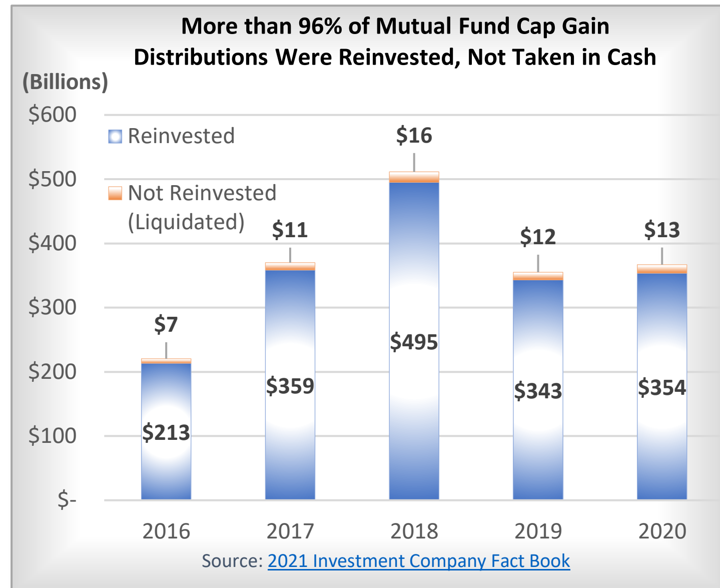
Harvesting Strategy

Taxation Without Liquidation

Mutual funds collectively made $367 billion of taxable capital gains distributions in 2020, totaling just over $3 trillion of distributions in the last 10 years.[1] The vast majority of these distributions were reinvested back into the mutual funds. In other words, even though mutual fund investors did not take advantage of the liquidity opportunity, those distributions were still taxable.[2]



Fortunately, investors looking to improve their bottom line, i.e., after-tax returns, have a number of available options. For instance, they can transition mutual fund assets into tax-efficient Exchange Traded Funds (ETFs) and even tax-beneficial strategies.[3] Or, they can continue to hold their existing fund positions but add tax-beneficial strategies along side those mutual funds that may offset additional mutual fund capital gain distributions.

In either case, the goal is to stay invested and keep more, so why tolerate unnecessary taxation? Talk to us to learn more.

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[1] These distributions stem from realized gains that occur within the mutual funds themselves when underlying securities are sold at a profit. Neither mutual funds nor ETFs can pass through to investors any realized losses that accrue within their portfolios.
[2] Excluding assets held in IRAs and other tax-deferred accounts. Nearly half of mutual fund assets over the last five years were in taxable accounts.
[3] In contrast, many ETFs do not have to distribute realized capital gains thanks to their creation redemption process.

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