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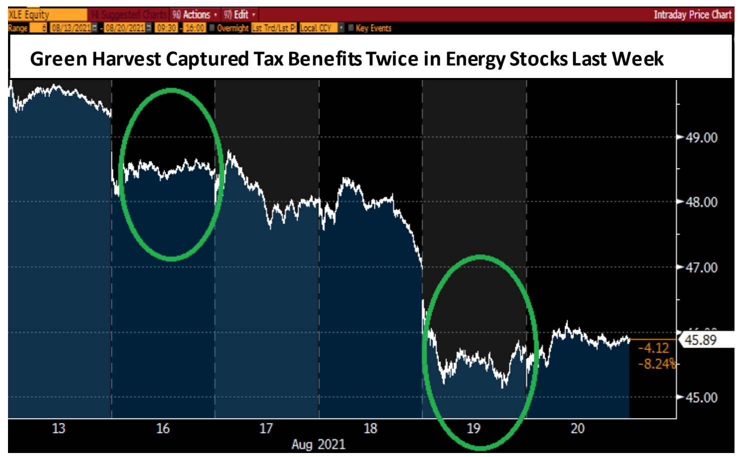
# Harvesting Strategy

Capture More Tax Benefits With ETFs

We've recently discussed some of the advantages of using ETFs to capture tax benefits here, here and here. In addition, last week's market activity highlighted another feature: the ability to capture tax benefits for the same account repeatedly through different ETFs.

Last week, Green Harvest allocated a new account to the U.S. Equity strategy. ETFs of every sector were selected and purchased in appropriate weights to represent the overall U.S. Equity market. As stocks fell, Green Harvest swapped ETFs in several sectors for this account. In one sector, not one, but two different swaps were implemented – see chart. The first swap on Monday the 16th, captured a 2.6% loss for investors. When Energy stocks declined further, a second swap was performed on Thursday the 19th to capture an additional loss, this time in excess of 6%.[1]



Source: Bloomberg. Performance of Energy Sector represented by Energy Select SPDR (XLE) from August 13th - 20th, 2021

Nobody knows where Energy stocks or the market as a whole will go from here. Investors can, however, put in place a robust after-tax oriented investment process that can both aim to grow their wealth and help them to keep more of it.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[1] Some direct indexers offer a different solution using individual stocks. They may sell one or more stocks that have declined and purchase similar stocks in the index to keep exposure. This might offer a similar benefit assuming the stocks have sufficiently similar characteristics and return expectations. However, to repeat this process requires a sufficient number of stocks. For instance, in the Energy sector, two companies: Exxon Mobil and Chevron, together represent 45% of the sector, a challenge for executing multiple substitutes.


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