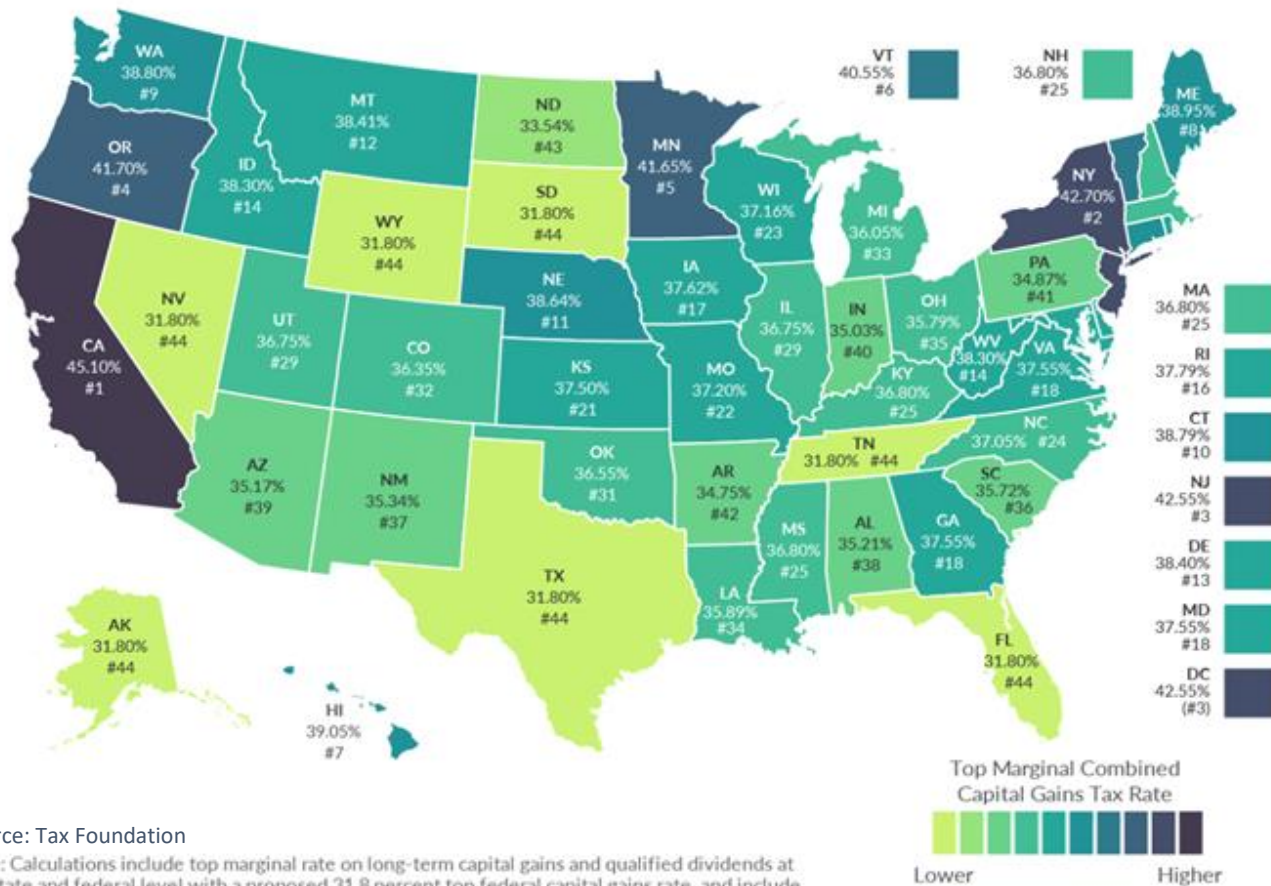


Harvesting Strategy

How Rising Tax Rates Could Accelerate Direct Indexing Growth

As we discussed [back in May](#), higher proposed capital gains tax rates could increase investors' tax burden noticeably. This could lead to further growth in direct indexing and tax-beneficial investing. Direct indexing is a [major trend](#) and tax loss harvesting is reported to be [the number one component driving it](#).¹ With year-end approaching, now is the time for investors to consider positioning their portfolios with taxes in mind. Talk to us or your wealth advisor about the role tax-beneficial investing might have in your 2022 investment plan.

Proposed Long-Term Marginal Capital Gains Rates Could Average 37% in 2022



Source: Tax Foundation

Note: Calculations include top marginal rate on long-term capital gains and qualified dividends at the state and federal level with a proposed 31.8 percent top federal capital gains rate, and include state deductions for federal income taxes paid.

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¹ According to McKinsey & Company, assets in direct indexing have tripled from 2018 to 2020, representing \$215 billion in assets under management (or 17 percent of the retail Separately managed account market).



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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 illustrative purposes only. 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. A client's tax alpha will depend on the client's individual circumstances, which are outside of GHAM's knowledge and control. All performance and tax benefit capture figures are derived from data provided from multiple third-party sources. All estimates were created with the benefit of hindsight and may not be achieved in a live account. The data received by GHAM is unaudited and its reliability and accuracy is not guaranteed.

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