

# 4 Tips For Managing Capital Gains Taxes

Taxes can often be a client’s biggest expense, creating an opportunity for you to provide value and deepen your relationship by proactively identifying ways to help them save.

**Check out the tips below** that can help you more effectively manage your clients’ taxes.

## 1 Investment Vehicles

Similar investment vehicles can have different tax impacts. It’s important to know the potential benefits and drawbacks. The chart below shows some examples:

	Benefits	Drawbacks
Mutual Funds	<ul style="list-style-type: none"> <li>Diversification at a low minimum</li> </ul>	<ul style="list-style-type: none"> <li>Can lead to significant and potentially unexpected capital gains distributions at year-end</li> <li>The investor doesn’t own the underlying holdings, which means they are unable to take advantage of loss harvesting opportunities</li> </ul>
ETFs	<ul style="list-style-type: none"> <li>Year-end capital gains are less likely and tend to be smaller</li> <li>Diversification at a low minimum investment</li> <li>Ability to trade intraday</li> </ul>	<ul style="list-style-type: none"> <li>The investor doesn’t own the underlying holdings, which means they are unable to take advantage of loss harvesting opportunities</li> </ul>
Individual Securities	<ul style="list-style-type: none"> <li>Greatest flexibility to manage taxes due to ownership of underlying holdings</li> <li>Portfolio can be customized for client’s preferences</li> <li>Ability to trade intraday</li> </ul>	<ul style="list-style-type: none"> <li>Larger minimum investment required to achieve diversification</li> </ul>

## 2 Asset Location

Understanding where to place your investments starts with understanding their tax efficiency.

Tax-inefficient investments can be placed into qualified accounts to minimize their taxes, while more tax-efficient investments can be placed into non-qualified accounts.

## 3 Tax Loss Harvesting

Harvesting losses means selling investments at a loss to offset any capital gains that have been realized throughout the year. It’s critical to understand this process to avoid unnecessary losses and maximize opportunities to save.

## 4 Tax Overlay Services

Tax overlay services continuously address holistic needs around tax management, while maintaining the strategy of the client’s portfolio

This process models the tax impacts of all trades specific to the client’s situation to optimize after-tax returns.

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