

Using Tax Loss Harvesting to Reduce Client Taxes



What is Tax Loss Harvesting?

Tax Loss Harvesting (TLH) is simply a strategy where the current losses in client positions are realized by selling the securities to reduce the annual capital gain taxes for clients.

In order to maintain the client's investment strategy, those securities are often replaced by purchasing an equivalent holding.

Important things to consider when Tax Loss Harvesting



IRS

Wash Sales

Although the IRS does allow tax loss harvesting it is important to ensure that the wash sale rule is not violated by selling a security at a loss and then purchasing the same or "substantially identical" stock or option within 30 days of the purchase.



Net Gains / Losses

Long term and short term gains and losses are taxed at different rates which affect the total capital gains tax. If you want to best optimize a client's tax bill an advisor should consider the short term and long term gains realized in the current tax year in addition to the transaction costs and overall tax situation of each client.

In some cases, it may be beneficial to harvest tax gains instead of losses. Because each client has a unique tax situation, fully automated robo-advisor tax harvesting solutions may not be appropriate for every client.



Custodian Accounting Method

If you are using one of the default accounting methods at the custodians such as First in First Out (FIFO) or LIFO it may not be as easy to benefit from tax loss harvesting.

For example, if a client has three different purchases for a stock and the second tax lot has the only loss then it may be best to only sell the middle tax lot.

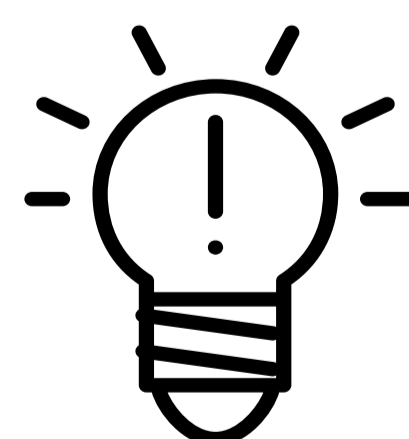
Most custodians do have a Tax Optimized accounting method which will not only sell losses first but will also consider the tax lot holding period for short and long term gains/losses.

There are tax considerations related to changing this accounting method so it is best to consult a tax specialist.

Tax Loss Harvesting with Blaze Portfolio

ATOM Align, Blaze Portfolio's rebalancing and trading platform, combines powerful and flexible ways to identify tax harvesting opportunities with automated trade creation and security equivalents. Advisors will benefit from these powerful features:

- Intelligent gain loss searches identify optimal tax harvesting opportunities
- Seamlessly create TLH trades across multiple securities and accounts in a single step
- Security equivalent rules automate the purchase of replacement holdings
- Automatic wash sale prevention
- Saved tax harvesting searches that can be shared across multiple users



For More Information about Tax Loss Harvesting or to learn more about ATOM Align you can reach us at 773-935-2470 x1

or visit us online at www.blazeportfolio.com