

Reap the Benefits of Tax Loss Harvesting All Year Long

We believe long-term planning is the only path to financial freedom, but that doesn't mean there aren't steps you can take now to help maximize your net returns. One example is tax-loss harvesting. Often thought of as an end-of-the-year exercise, tax-loss harvesting works best when it's applied year-round during market dips and when rebalancing your portfolio.

WHAT IS TAX-LOSS HARVESTING?

Tax-loss harvesting refers to identifying and selling an asset that has performed below its purchase price. The difference between the amount you initially paid for the asset and the sell price is then applied against future capital gains to help lower your tax bill. Up to \$3,000 can be applied annually to offset ordinary income (such as wages) with any additional amount carried over to subsequent years.

THE WASH SALE RULE

The IRS has implemented the "Wash Sale" rule to prevent selling an investment at a loss and immediately repurchasing. It states that clients who sell a stock and plan to use losses to offset taxes cannot repurchase the same stock within 30-days before or after the repurchase.

IS THERE SUCH A THING AS TAX-GAIN HARVESTING?

Absolutely. Tax-gain harvesting can also be a useful tool in managing tax liabilities, but with this approach, you intentionally sell investments with significant gains. The key here is timing. By selling when your tax bracket is lower than what you anticipate in the future, you may be able to realize tax savings over the long run and potentially lower your Modified Adjusted Gross Income in subsequent years if your tax bracket is likely to be higher. In this scenario, clients can even repurchase the same investment after the sale because Wash Sale rules don't apply when a profit is made from the sale.

PUTTING TAX-SAVING STRATEGIES INTO ACTION

Applying tax-loss harvesting appropriately can be complex – even for more seasoned investors and Financial Professionals. That's when it's important to have strong tax knowledge at your fingertips. When you partner with us, you'll have the benefit of holistic wealth management through a tax-focused lens that can be applied across most of the financial decisions you'll make in your lifetime — including investing, retirement spending, social security planning and transferring wealth.

READY TO GET STARTED?

Contact us today with your questions about how tax-loss or tax-gain harvesting strategies can help you maximize your returns and reduce taxes.

TAX-LOSS HARVESTING

- Best when markets are down or when you need to rebalance your portfolio
- Apply losses to offset future capital gains
- Sell investments at a loss

TAX-GAIN HARVESTING

- Reduce future Modified Adjusted Gross Income (MAGI) and liabilities when in higher tax bracket
- Sell most profitable investments while in lower tax bracket