VITAL SIGNS: TAX MANAGEMENT

Conversations about tax-loss harvesting.

The strategic selling of losing investments can be an effective way to help lower taxes while remaining focused on your long-term goals.

Many investors may not know how tax-loss harvesting works or how it's effectively implemented. Fortunately, your advisor and SEI have the tools to help.

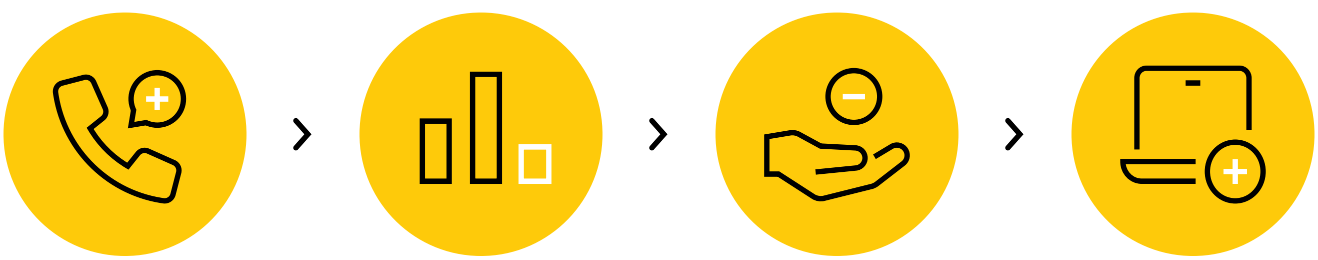
Tax-loss harvesting demystified

Put simply, tax-loss harvesting is the process of selling investments at a loss so you can offset gains in other investments. When implemented strategically, it has the potential to lower your tax burden. Here's how it works:

1. You purchased an investment and its price has fallen, prompting you to consider selling.
2. The loss from this sale can be 'harvested' and used to offset current and future capital gains.[1]
3. Reinvest the money from the sale and buy an investment that fills a similar role in your portfolio so you stay invested in the market.
4. Staying invested in the market can help to avoid locking in losses and helps maintain the portfolio's desired allocation and long-term focus.

[1]The wash sale rule prohibits an investor from taking a tax deduction if they sell an investment at a loss and repurchase the same investment, or a substantially identical one, within 30 days before or after the sale.

The power of staying invested – A simple example



Purchased telecom stock A for $25 per share.

Telecom stock A declines in price.

Sell telecom stock A for $20 per share, and realize a $5 per share loss, which is the creation of a capital loss.

Buy telecom stock B with proceeds from loss.

Throughout the year, there can be opportunities to stay invested and harvest losses, while potentially lowering your overall tax bill.

Tax-loss harvesting can be "always-on"

For many of us investors, market turmoil and seeing investments decline in price can be unsettling. But an "always-on" tax-smart approach helps you turn underperforming investments into a value-add opportunity. Importantly, the benefits of tax-loss harvesting can be had even in up markets. After all, in any given year some stocks and sectors go up, while others decline.

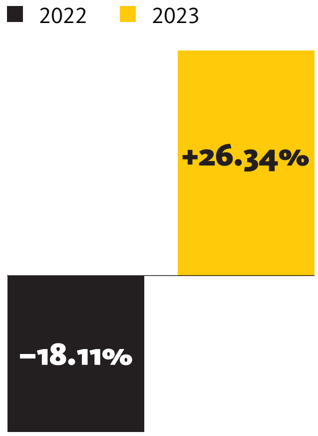
Let's look at 2022, compared to 2023:

S&P 500® daily return	2022[2]	2023[3]
Days at a gain	+108	+137
Days at a loss	–152	–113
Stocks at a gain	157	341
Stocks at a loss	351	173

Index returns are for illustrative purposes only and do not represent actual investment performance. Index returns do not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

[2]As of 12/31/2022.
[3]As of 12/31/2023.
Source: Factset & Yahoo! Finance.

S&P 500® yearly return



Whether the broader market is trending up or down, volatility can present a compelling opportunity for investors. The key is having an ally—and the right technology—to monitor **daily** swings in stocks.

Individual components matter

Remember, market indexes like the S&P 500 represent a basket of securities; in this case, 500 of the largest public U.S. companies. However, the individual components of the index rarely move in unison. With access to the right technology and an "always-on" approach, investors and their advisors can use price movements to harvest tax losses at an individual level, regardless of broader market trends.

Ask your advisor

Tax-loss harvesting has the potential to make a difference in the performance of your investment portfolio over time. Here's what you should consider discussing with your advisor:

1. **How do we begin?** Set up a meeting with your advisor and ask how to identify the most appropriate specific tax-managed solutions and techniques that dovetail with your goals and objectives.
2. **How can I possibly monitor an entire portfolio on a daily basis?** Your advisor can introduce you to the tools that can automate this for you. This might include a tax overlay that can be applied to your entire portfolio.
3. **How will a tax-loss harvesting strategy impact my overall asset allocation?** This is a critical question and should be revisited periodically with your advisor, especially after any tax-loss harvesting.
4. **Can tax-loss harvesting impact or alter my overall tax situation?** You and your advisor can answer this together when you discuss your current and future anticipated tax bracket, among other things. You will also want to consider things like keeping your AGI (adjusted gross income) below the Medicare surtax, as well as state-specific considerations.

MIND OVER MATTER

Tax-smart solutions can be automated to strategically help turn volatility into opportunity and help save on taxes—and often significantly.

Tax management—and tax-loss harvesting, in particular—is not just for down years in the market. It's typically most beneficial in a proactive, "always on" approach, as opposed to a reactive "once-a-year" exercise.

Your advisor can help you improve your tax-management game, so you aim to keep more of what you earn.

About SEI.

SEI delivers technology and investment solutions that connect the financial services industry. With capabilities across investment processing, operations, and asset management, SEI works with corporations, financial institutions and professionals, and ultra-high-net-worth families to solve problems, manage change, and help protect assets—for growth today and in the future.

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Definitions

Tax-loss harvesting: A proactive strategy investors use to reduce capital gains taxes from winning trades.

There are risks involved with investing, including loss of principal. There is no guarantee investment objectives will be achieved nor that risk can be managed successfully. Diversification may not protect against market risk.

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