

# PROVIDING REAL VALUE

## Attention to Detail Prevents \$55K Tax Bill



Our eagle-eyed advisors saved a client about \$55,000 in taxes by selling an appreciated asset with just hours to spare before they realized a large capital gain. It's all in a day's work for our financial professionals, and it's a great example of the extraordinary level of care and attention to detail we provide to our clients.



Client Elizabeth Collins and her husband are high earners in their 50s who are starting to think about a possible retirement date. Of their roughly \$6 million in investable assets, the couple held about \$3.5 million spread over a handful of mutual funds.

As part of our thorough client intake process on the day the Collins signed on with our firm, one of our advisors reviewed their holdings. He noticed that a mutual fund holding of \$1 million was due to pay out a 12 percent capital gain distribution of \$120,000 the very next day. Based on the Collins' 32 percent tax bracket, this would have cost them about \$55,000 in taxes.

Our team weighed this cost against the client's unrealized gain in the position, which was only \$800. They contacted the client immediately to recommend that she sell the position, which prevented the \$120K tax event.

We also made recommendations around Elizabeth's retirement plan, investment strategy, estate plan and more.

### RETIREMENT PLAN OPTIMIZATION

We set up an investment strategy that's better suited to the client's objectives. For example, given the Collins' time horizon of 10+ years, our investment team recommended a more aggressive risk profile for their 401(k). This plan is designed to help the Collins grow their money so that they can retire comfortably.

### ESTATE PLAN ALIGNMENT

The Collins family already has a sophisticated estate plan in place. We are working to ensure that their accounts are set up with the proper structures and beneficiaries to align with their existing plan.

### OPPORTUNITIES WITH ALTERNATIVES

For many investors, alternatives offer an effective way to hedge against the uncertainties in the stock market. We recommended that the Collins invest about \$600K into alternatives, specifically a private equity strategy and a private credit strategy.

### EMERGENCY FUND

Elizabeth and her family have about \$850K in cash holdings. Because assets held in cash lack the growth potential of investments, and inflation can erode the value of cash over time, we advised them to substantially reduce that amount. The Collins spend about \$250K a year, so we recommended they set aside \$250K in cash as an emergency fund.

### FIXED INCOME

For added stability in the portfolio, our team also advised the client to put about \$1.36M into a managed municipal ladder with Lord Abbett to be held until maturity. Coupon interest paid out from each bond provides tax-free income. This strategy can also help insulate the clients from rising interest rates in the future.

Our advisor teams collaborate with our Roundtable™ financial professionals to craft personalized plans for our clients with an extraordinary level of care and attention. As this story shows, our financial planning knowledge can help our clients avoid paying unnecessary taxes.

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Diversification and asset allocation do not ensure a profit or guarantee against loss. Alternative investments may not be suitable for all investors and involve special risks such as leveraging the investment, potential adverse market forces, regulatory changes, and potential illiquidity. A bond ladder, depending on the types and amount of securities within the ladder, may not ensure adequate diversification of your investment portfolio. As compared to other fixed income products and strategies, engaging in a bond ladder strategy may potentially result in future reinvestment at lower interest rates and may necessitate higher minimum investments to maintain cost-effectiveness.

**This case study is based upon real clients whose names have been changed. This content is for illustrative purposes only, may not be representative of any future experience of our clients, and is not intended to provide specific recommendations to any individual.**