

A person with long dark hair, seen from behind, is wearing a dark jacket and a tan canvas backpack with brown leather straps. They are holding a large map and looking out over a vast, green, hilly landscape under a bright sun with lens flare effects. The scene is outdoors and appears to be a hiking or travel destination.

Location, location, location

How to determine where to place investments
to enhance after-tax returns based on your
objectives and risk tolerance

How are different types of investments taxed?

In general, place tax-efficient investments into taxable accounts and tax-inefficient investments into tax-deferred or tax-free accounts.

TAX EFFICIENT

- + Municipal bonds
- + Individual stocks
- + Index funds
- + Exchange-traded funds (ETFs)

TAX INEFFICIENT

- + Corporate bonds
- + Actively-traded mutual funds
- + Real estate investment trusts (REITs)
- + Limited partnerships
- + Preferred stocks
- + High-yielding stocks

Guide to asset location

Where should I place my investments?

TYPE OF INVESTMENT	TAX RATE	ACCOUNT TAX STATUS		
		TAXABLE	TAX-DEFERRED	TAX-FREE
Tax-free municipal bonds and municipal bond funds	Exempt			
Equities held long-term for growth	Long-term capital gains rate			
Equity index funds (other than REITs)				
Tax-managed mutual funds				
REITs	Ordinary income tax rate			
High-turnover stock funds – deliver returns as short-term capital gains				
Taxable bonds and bond funds – corporates, treasuries				

More appropriate
 Appropriate
 Less appropriate

Which investor are you?



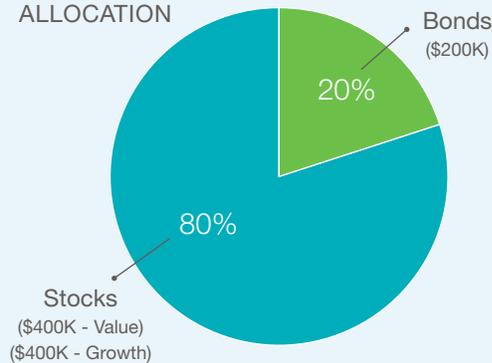
AGGRESSIVE ARTHUR

Met with his financial planner and for his objectives and risk tolerance an allocation of 80% stocks, 20% bonds has been selected.

Stock holdings are equally divided (50/50) between growth and value strategies. Both strategies have low turnover.

ACCOUNT TYPE	VALUE
Roth IRA	\$750,000
IRA	\$50,000
Taxable brokerage	\$200,000
Total portfolio	\$1,000,000

ASSET ALLOCATION



Recommended asset location

- + Arthur should allocate \$50K to the higher-yielding value strategy of his Roth IRA
- + The remaining value strategy holdings (\$350K) and all of the taxable bonds (\$200K) should be allocated to his IRA
- + All of the lower-yielding growth strategy should be split between his IRA (\$200K) and his taxable account (\$200K)

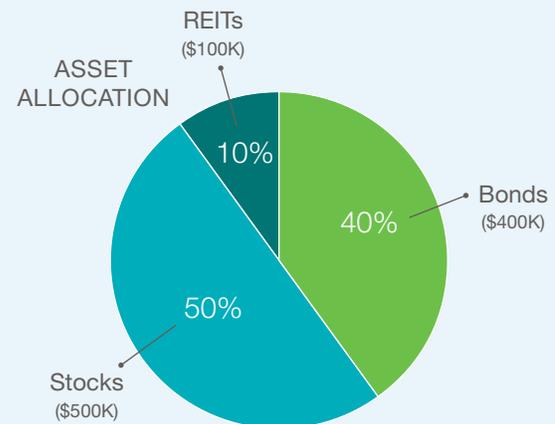


BALANCED BETTY

Met with her financial planner and for her objectives and risk tolerance an allocation of 50% stocks, 40% bonds and 10% alternative (REITs) has been selected.

Stock holdings are mostly individual stocks and tax-efficient ETFs.

ACCOUNT TYPE	VALUE
SEP IRA	\$300,000
Taxable brokerage	\$700,000
Total portfolio	\$1,000,000



Recommended asset location

- + Betty should allocate half of the bonds (\$200K) to her SEP IRA
- + Betty should allocate all of the (REITs) (\$100K) to her SEP IRA
- + Betty should allocate all of her stocks (\$500K) and the remaining bonds (\$200K) to her taxable account
- + Depending on her tax bracket Betty's taxable account may hold municipal bonds instead of taxable bonds

