Tax Loss Harvesting+ is powered by Betterment, our custodial and technology partner.
What is Tax Loss Harvesting (TLH)?

TLH is a tax-saving strategy that uses investment losses to offset investment gains and other income.

The result is often less taxes and thus a better after-tax return.
With a long-term investment approach...

Your investments rise and fall with the tides of the markets. Over time, your investment’s value may look something like this:

- **t₀**: Value at time of purchase
- **Short-term drop in value below purchase value**
- **t_{Final}**: Value at time of sale

Your security
When you sell a security at a price that is lower than what you purchased it at, you have a loss. With TLH, you can use the loss to reduce your future taxes.
Doesn’t selling off securities hurt the overall diversification of my portfolio?

When a security is sold for a loss, it is replaced with a similar security to ensure your portfolio stays balanced and well diversified.

In the world of TLH, a similar security to your original security should have comparable:
- Liquidity
- Cost
- Behavior – rise and fall together (Correlation)

Example of similar securities
Security A – Vanguard Value ETF
Security B – iShares S&P 500 Value ETF
Why can't you just buy back the same security after you sell it?

The “wash sale rule” disallows a loss from selling a security if a “substantially identical” security is purchased 30 days after or before the sale.

An investor should not be able to benefit from a loss if he did not truly dispose of the security.
When you “harvest” a loss, you can use that loss to offset capital gains or income, earnings you otherwise would have to pay tax on.

Let’s look at the following scenario:

1. You harvest a loss of $10,000 by selling a security below its purchase value
2. You have other capital gains of $10,000 (say taxed at 40%)
3. You can offset the $10,000 in other capital gains with the $10,000 loss, so you owe $0 in taxes
4. You saved $4,000 in taxes ($10,000 x 40% tax rate)
5. Now you can invest that saved $4,000 in taxes in the market to earn a return
The benefits explained

1. In this scenario, you didn’t have to pay taxes today - what we call *tax deferral*.

2. You can now invest the $4,000 saved, and have it grow.

3. When you eventually sell the replacement security, any gains will likely be taxed at a lower tax rate (the long-term capital gains tax rate (0~30%), is likely lower than your income tax rate, (10-40%+) – what we call *tax arbitrage*.

4. When you pay tax on that gain in the future, it will cost you less in *real* terms, because of inflation.
The advantages of Tax Loss Harvesting+

TLH+ is our automated TLH solution, powered by our technology partner, Betterment. TLH+ scans your portfolio regularly for opportunities to harvest losses, helping increase your after-tax returns.

The upside to capital loss.
Realized losses on investments can offset gains and reduce ordinary taxable income by as much as $3,000 per year.

Making it accessible.
Tax Loss Harvesting+ is automated and available at no additional cost to investors who are managing money with us.

Optimizing the strategy.
Tax Loss Harvesting+ runs regularly and can reduce tax exposure better than other automated harvesting tools.
More deposits = more harvests = more tax savings

Simple TLH algorithms restrict your frequency of cashflows to prevent wash sales.

Intelligent TLH+ actually works more effectively with frequent cashflows, so you have many price points to harvest from.

Consistent Deposits drive Harvesting Opportunities

Quarterly Deposits: 4 harvests

Bi-Weekly Deposits: 22 harvests

This chart and data shown are hypothetical and for illustrative purposes and not intended to forecast returns
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