



Tax-Loss Harvesting Amid Market Volatility

You can enhance after-tax returns and achieve greater financial efficiency

Recent market volatility can understandably spark anxiety among investors. However, seasoned investors and financial professionals recognize these moments as opportunities to strategically manage taxes. One such strategy is tax-loss harvesting – a tactic designed to reduce your taxable income by selling investments at a loss, offsetting capital gains, and potentially generating tax savings.

Understanding Tax-Loss Harvesting

Tax-loss harvesting involves selling securities that have declined in value to realize a capital loss, which can then offset capital gains from other investments. If your losses exceed your gains in any given year, you can use up to \$3,000 to offset ordinary income, with the remainder carried forward to future tax years.

Timing is Key

Market downturns often present prime opportunities for tax-loss harvesting. In volatile markets, stocks or mutual funds may dip below your purchase price. Selling these underperformers allows you to realize losses that can be strategically used to offset gains realized elsewhere in your portfolio.

The Wash-Sale Rule

An essential consideration in tax-loss harvesting is the IRS's wash-sale rule, which prevents investors from claiming a loss if they purchase the same or a substantially identical security within 30 days before or after the sale. To maintain market exposure while avoiding the wash-sale rule, you might buy a different, yet similar, security to replace the one you sold.

Integrating into Your Financial Plan

Tax-loss harvesting isn't just a year-end strategy; it can be integrated throughout the year, particularly during volatile periods. Collaborate with your financial advisor to regularly monitor your portfolio for

opportunities. By methodically employing tax-loss harvesting, investors can enhance after-tax returns and achieve greater financial efficiency.

Your Financial Advisor

Your financial advisor provides critical guidance in navigating complex financial landscapes, helping investors make informed decisions that support long-term goals. By identifying opportunities such as tax-loss harvesting and timing them effectively, an advisor can enhance after-tax returns and strengthen overall portfolio performance, turning market downturns into strategic advantages.

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