Practical Tax Planning Strategies for Investors 2026

Wochnick Financial Services

A Very Special Announcement!

After many years of dedicated service, Financial Advisor Raymond Sauer will be retiring. We are incredibly thankful for the relationships he has built and the care he has provided to clients over the years. While Raymond will be stepping into a well-deserved retirement, please be assured that your financial goals remain our highest priority. Please join us in wishing Raymond a happy and well-deserved retirement!

— HAPPY —
Retirement

A Quick Office Update!

We're bringing our team together under one roof! We are consolidating our two offices and will now be operating out of our Little Falls location. Having everyone in one place allows us to better collaborate, serve you more efficiently and when you come to visit, we all get to see you! If you have any questions or concerns please feel free to reach out. ***You can now text us as well at the 320-631-2222 number.***

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Tactics for Wealth-Building with After-Tax Efficiency

For investors, long-term success is not solely determined by total returns, but by how much of those returns are retained after taxes. As portfolios grow in complexity, tax drag can quietly erode their performance over time.

Effective tax planning is not just about avoidance, but about structuring investments in a way that is aligned with tax efficiency, timing, and an investor's long-term financial goals.

Tax planning is different than tax preparation. Tax preparation is backward-looking and it focuses on accurately reporting what already happened to comply with the law and file your return. Tax planning is forward-looking and it involves proactively structuring decisions throughout the year to minimize your tax liability and improve your after-tax outcomes. In short, preparation records history, while planning helps shape it.

Included in this newsletter are some widely used and practical tax reduction strategies that investors and financial advisors commonly implement to improve after-tax outcomes.

Asset Location Strategy

One of the most underutilized yet powerful tax strategies is **asset location**, which should not be confused with asset allocation.

The concept is simple: place investments in the most tax-efficient account type based on how they are taxed.

- **Taxable accounts:** Can be best for long-term capital gains or tax efficient investments (e.g., index funds, ETFs)
- **Tax-deferred accounts (401(k), Traditional IRA):** Can be best for high-income-producing assets (e.g., bonds, REITs)
- **Roth accounts:** Can be best for high-growth assets (future tax-free growth)

Why this strategy works:

Different investment incomes are taxed differently. Interest, dividends, and capital gains each receive distinct treatment. By strategically placing assets in the appropriate accounts, investors can reduce annual tax leakage and improve compounding efficiency.

Key benefits:

Over time, proper asset location can meaningfully increase your after-tax portfolio value without changing overall investment risk or return profile.

Tax-loss Harvesting

Tax-loss harvesting involves selling investments that have declined in value to realize a capital loss, which can then be used to offset capital gains and sometimes ordinary income.

How it works:

- Sell a security at a loss
- Replace it with a similar (but not "substantially identical") investment to maintain market exposure
- Use realized losses to offset gains elsewhere in the portfolio

If losses exceed gains, up to $3,000 per year can be used to offset ordinary income, with additional losses carried forward indefinitely.

Why this matters:

This strategy is particularly effective in volatile markets. Even diversified, well-constructed portfolios will experience periodic losses in certain holdings or sectors.

Key benefit:

Tax-loss harvesting can be used to turn market volatility into a tax planning opportunity.

Municipal Bonds for Tax-Free Income

Municipal bonds ("Munis") are issued by state and local governments and are often exempt from federal income tax. In some cases, they may also be exempt from state and local taxes if the investor resides in the issuing state.

How they work:

Investors receive interest payments that are generally free from federal taxation, which can make the effective yield more attractive on an after-tax basis. This strategy can be especially attractive for high-income earners.

When this makes sense:

Municipal bonds are most beneficial when:

- An investor is in a higher tax bracket
- Fixed income is needed for stability or cash flow
- Taxable bond yields are less competitive after taxes

Key benefit:

They provide predictable income while reducing taxable interest exposure, improving after-tax yield efficiency.

Strategic Use of Retirement Accounts & Roth Conversions

Tax-advantaged retirement accounts remain one of the most effective long-term tax reduction tools available.

Traditional accounts (i.e. 401(k), IRA):

- Contributions may be tax-deductible
- Growth is tax-deferred
- *Withdrawals are taxed as ordinary income*

Roth accounts:

- New contributions are made with after-tax dollars
- Growth and qualified withdrawals are tax-free

Roth conversion strategy:

A Roth conversion involves moving funds from a Traditional IRA into a Roth IRA, paying taxes in the current year in exchange for future tax-free growth

Why investors use Roth conversions:

- Reduces future Required Minimum Distributions (RMDs)
- Locks in tax rates during lower-income years (retirement, market downturns, business transitions)
- Creates tax diversification in retirement income planning

Key benefit:

This strategy gives investors control over when taxes are paid, which can be just as important as how much tax is paid.

Charitable Giving and Donor-Advised Funds (DAFs)

Charitable strategies allow investors to align philanthropic goals with tax efficiency.

Direct charitable giving:

Donations to qualified charities can provide tax deductions if you itemize.

Donor-Advised Funds (DAFs):

A DAF could allow an investor to:

- Contribute cash or appreciated securities
- Receive an immediate tax deduction

- Invest funds tax-free within the DAF
- Distribute grants to charities over time

Why using appreciated securities matters:

Donating appreciated assets (instead of cash) allows investors to avoid capital gains taxes while still receiving a charitable deduction for the full fair market value.

Key benefit:

DAFs can be particularly powerful in high income years, during liquidity events, or when selling a concentrated stock position. They can allow investors to reduce taxable income while supporting their long-term charitable giving goals.

Conclusion

Tax efficiency is not achieved through a single tactic, but through a coordinated set of strategies that align investments, timing, and structure. Asset location reduces ongoing tax drag. Tax-loss harvesting monetizes volatility. Municipal bonds provide tax-advantaged income. Retirement account strategies manage lifetime tax exposure. Charitable giving structures convert philanthropic intent into tax efficiency.

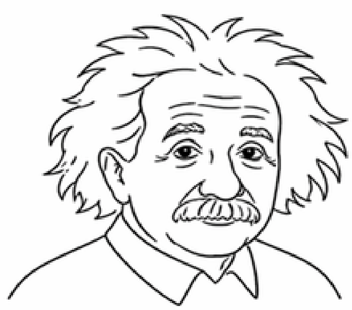
For investors, the cumulative effect of these strategies can be substantial over time and can often represent the difference between simply growing wealth and maximizing after-tax wealth. In modern portfolio management, tax planning is no longer optional; it is an integral component of performance.

We believe an informed client is the best client. Our commitment is to provide consistent, meaningful communication and to proactively help you navigate a changing economic environment. As always, we encourage you to share any concerns with us. Our team is here to support you every step of the way toward your financial goals. We greatly value the trust and confidence you place in our firm and look forward to continuing to serve you.

We're in the process of planning our upcoming client events, so stay tuned! We always enjoy spending time with you and look forward to these special gatherings each year.

We want to help others like you!

Many of our best relationships have come through introductions from clients. We would be honored if you add a name to our mailing list or introduce us to someone else. Please call 320-631-2222 to do so.



"The hardest thing in the world to understand is the income tax."

– Albert Einstein

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Contributions to a Traditional IRA may be tax deductible in the contribution year, with current income tax due at withdrawal. Withdrawals prior to age 59 ½ may result in a 10% IRS penalty tax in addition to current income tax. Traditional IRA account owners should consider the tax ramifications, age and income restrictions in regard to executing a conversion from a Traditional IRA to a Roth IRA. The converted amount is generally subject to income taxation. The Roth IRA offers tax deferral on any earnings in the account. Withdrawals from the account may be tax free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change. IRAs and ROTH conversions require understanding of specific rules, for complete rules on IRAs (including who qualifies), please visit www.IRS.GOV Publication 590a or consult with a qualified professional. This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific situation with a qualified tax professional.

Donors are urged to consult their attorneys, accountants or tax advisors with respect to questions relating to the deductibility of various types of contributions to a Donor-Advised Fund for federal and state tax purposes.

Investments in municipal securities may not be appropriate for all investors, particularly those who do not stand to benefit from the tax status of the investment. Municipal bond interest is not subject to federal income tax but may be subject to AMT, state or local taxes.

Source: Reviewed by Keebler and Associates. Contents provided by the Academy of Preferred Financial Advisors, 2026

DISCUSS YOUR CONCERNS WITH US

Our advice is not one-size-fits-all. We will always consider your feelings about risk and the markets and review your unique financial situation when making recommendations. We pride ourselves in offering:

- Consistent and strong communication
- A schedule of regular client meetings
- Continuing education for every member of our team on the issues that affect our clients.

A good financial advisor can help you make your journey easier. Our goal is to understand our client's needs and then try to create a plan to address those needs. We continually monitor your portfolio. While we cannot control financial markets or interest rates, we keep a watchful eye on them. No one can predict the future with complete accuracy, so we keep the lines of communication open with our clients.

We can discuss your specific situation at your next review meeting, or you can call to schedule an appointment. As always, we appreciate the opportunity to assist you in addressing your financial matters.

PLEASE CALL OUR OFFICE AND WE WOULD BE HAPPY TO ASSIST YOU!

WHO CAN WE HELP

Do you know someone who could benefit from our services?

Our goal is to offer services to several other clients just like you! We would be honored if you would:

- Bring a guest to an event we are hosting
- Refer a friend to come to our office for a complimentary financial check up
- Provide us with 3 names of prospects to add to our mailing list

Scan this QR code to visit our website!

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