

A tax-aware investment approach can help taxable investors achieve their financial goals. Here we explain what tax-aware investing strategies are and how they may fit into an investor's portfolio.

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This list is not exhaustive; there are numerous advantages and risks associated with our Tax Aware Strategies that are not fully discussed here.

Underperformance of pretax returns: tax-aware strategies are investment strategies with the associated risk of pretax returns meaningfully underperforming expectations.

Adverse variation in tax benefits: deductible losses and expenses allocated by the strategy may be less than expected.

Lower marginal tax rates: the value of losses and expenses depends on an individual investor's marginal tax rate, which may be lower than expected for reasons including low Adjusted Gross Income (AGI) due to unexpected losses and the Alternative Minimum Tax (AMT).

Inefficient use of allocated losses and expenses: the tax benefit of the strategy may be lower than expected if an investor cannot use the full value of losses and expenses allocated by the strategy to offset gains and income of the same character from other sources. This may occur for a variety of reasons including variation in gains and income realized by other investments, at-risk rules, limitation on excess business losses, or insufficient outside cost basis in the partnership.

Adverse changes in tax law or IRS challenge: the potential tax benefit of the strategy may be lessened or eliminated prospectively by changes in tax law or retrospectively by an IRS challenge under current law if conceded or upheld by a court. In the case of an IRS challenge, penalties may apply.