



Tax Matters

Our latest thinking for U.S. tax-aware investors and their advisors.

T A X M A T T E R S

A 3-for-1 Solution for Concentrated Stock

April 9, 2024

Long/short tax-aware factor strategies may provide the means to offset gains resulting from a transition from a concentrated stock to a diversified portfolio.

[Read more](#) >

T A X M A T T E R S

AQR Factor Research Papers Win Prestigious Academic Awards

March 12, 2024

Factor investing (combined with tax-aware implementation) can offer investors substantial rewards in the form of both pre-tax returns and tax benefits. Two papers by our colleagues recently won highly prestigious awards from top academic and practitioner journals for their research on factor investing, demonstrating our commitment to top-notch factor research.

[Read more](#) >

T A X M A T T E R S

Making VPFs Work Harder for You

March 1, 2024

There is a range of solutions aimed at reducing the risk of concentrated stock tax-efficiently: completion portfolios, exchange funds, charitable giving, just to name a few. But for some investors, Variable Prepaid Forwards (VPFs) are a favorite. It's not hard to see why.

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T A X M A T T E R S

The Enduring Appeal of Gain Deferral, Part 2

February 6, 2024

Our previous post showed the power of deferral for building wealth, but one key assumption in that analysis was that tax rates remain constant. In this post, we discuss whether gain deferral is still a good idea if you think tax rates might be higher in the future.

[Read more](#) >

T A X M A T T E R S

The Enduring Appeal of Gain Deferral, Part 1

February 1, 2024

We find that strategies that help defer gains can be highly beneficial, irrespective of the investment horizon and especially over the long term.

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T A X M A T T E R S

Inflation and Tax Efficiency

December 13, 2023

We discuss how inflation and taxes are linked, highlighting the value of tax efficiency when inflation is a feature of the macroeconomic environment.

[Read more](#) >

T A X M A T T E R S

Looking Under the Hood of Long/Short Tax-Aware Strategies

October 27, 2023

Our recent paper discusses gain deferral and the benefits of tax-aware long/short equity factor strategies. It also suggests that when it comes to a diversified long/short equity factor strategy, the difference between a portfolio that cares about taxes and one that doesn't may be smaller than you think.

[Read more](#) >

T A X M A T T E R S

Now You Don't Have to Choose Between Diversification and Tax Efficiency

July 18, 2022

The additional requirement for individuals and families is for their diversifying strategies to be attractive not just pre-tax, but also net of taxes.

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T A X M A T T E R S

Does Tax Efficiency Just Delay the Tax Burden?

July 28, 2021

We often hear the sentiment that tax-efficient investing just delays the inevitable: Eventually, a day will come when the tax-efficient investor

will have to true up on years of deferred taxes. And, with the proposed Biden Tax Plan sending many investors scrambling to plan for higher taxes, we feel that now is as good a time as any to put this long-standing myth to bed.

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T A X M A T T E R S

Regardless of How You Deal with Low-Basis Stock, Long-Short Strategies Can Help

June 23, 2022

Most investors recognize that concentrated stock holdings are risky, but the outright sale of a low-basis stock incurs a punitive tax burden. In this post, we highlight several tax-efficient alternatives to an outright sale and explore how long/short strategies can help enhance this tax efficiency.

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T A X M A T T E R S

Tax-Efficient Portfolio Transition, or How to Rejuvenate Ossified Equity Portfolios

May 12, 2021

We discuss portfolio transition techniques that could alleviate the tax costs of switching managers for a taxable investor.

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Risks of Tax Aware Strategies

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.