

Asset Location

FINANCIAL PLANNING

Asset location refers to where an asset is held—taxable brokerage accounts, tax-deferred accounts like 401(k) and 403(b) accounts, or tax-free accounts like Roth accounts and 529 plans. Investors must decide how to use “tax-preferenced” accounts to hold their investable assets to optimize tax efficiency. Picking the correct location for an asset can make a sizable difference in increasing your portfolio by reducing income tax liabilities. Choosing which types of tax-preferenced accounts are right for you depends on factors such as current and future income tax laws, your financial profile, personal income tax rate and the expected return features of the specific securities.

TAX WRAPPER:	TAXABLE	TAX-DEFERRED	TAX DEFERRED AND TAX-FREE
Account Type:	<i>Bank Accounts Brokerage Accounts</i>	<i>403b, 401k, Traditional Retirement Accounts, Simple & SEP IRAs</i>	<i>Roth Retirement Accounts, 529 Plans, Health Savings Accounts (HSAs), & Life Insurance</i>
Deductibility of Contributions:	Not Deductible	May be Deductible	Usually Not Deductible (HSAs are deductible)
Mandatory Withdrawals:	No	Yes	No
Current Year Taxation:	<i>Interest Income</i>	Yes	No
	<i>Dividends</i>	Yes	No
	<i>Realized Capital Gains</i>	Yes	No
	<i>Withdrawals</i>	No	Yes. Withdrawals taxed at ordinary income tax rates.
Optimal Tax Location Types:	Tax-efficient Types: <ul style="list-style-type: none"> • Tax-exempt Investments • Low Turnover Growth Investments 	Tax-inefficient Types: <ul style="list-style-type: none"> • Taxable Investments • Alternative Investments • High Turnover Investments 	Tax-inefficient Types: <ul style="list-style-type: none"> • Taxable Investments • Alternative Investments • High Turnover Investments
Optimal Tax Location Examples:	Tax-efficient Examples: <ul style="list-style-type: none"> • Stocks • Stock Index Funds • Tax free Municipal Bonds 	Tax-inefficient Examples: <ul style="list-style-type: none"> • Taxable Bonds • REITs • Alternative Investments 	Tax-inefficient Types: <ul style="list-style-type: none"> • Taxable Bonds • REITs • Alternative Investments

Please consult your financial advisor or tax specialist to find the optimal asset location for your situation.

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