

# 7 SOURCES OF ASSETS THAT COULD BENEFIT FROM A TAX-MANAGED APPROACH



## The tax-managed opportunity—It's likely larger than you think.

Taxable, or non-qualified assets make up nearly half the mutual fund universe today\*. Many advisors often treat non-qualified accounts the same as qualified accounts, despite significant differences and the different parameters that apply due to the tax impact.

Here's how you can uncover these non-qualified assets and get the resources to help with taxable investing know-how.

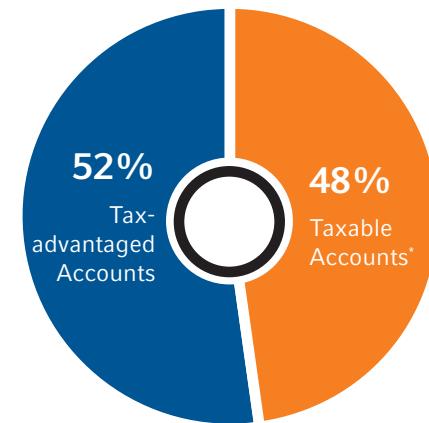
## Where to focus: The types of clients and assets where tax management really matters

Rather than targeting everything, it's better to focus efforts where help can be applied specifically—to specific clients. This is a list of the seven top sources of taxable assets we see through our work. Using this list, we believe advisors can focus their efforts on the clients and situations that need tax management the most.

## The top 7 sources of taxable assets

- 1 Sale of real estate
- 2 Sale of a business
- 3 Deferred compensation
- 4 Inheritance
- 5 Insurance payouts
- 6 Trust accounts
- 7 Current taxable assets

Mutual fund assets by tax status



Source: 2024 ICI Factbook.

\*Including taxable non-household accounts, taxable household accounts, and tax-exempt funds

Taxes matter. Investment portfolios can and do generate taxable events for clients. And the cost of those taxes can be significant for investors. Without help, tax-managed investing can be complicated. By partnering with a skilled, experienced partner, you, the advisor, can be a tax hero and help your clients minimize the impact of taxes before it becomes a problem.

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1

### The sale of real estate or other assets

The sale of a house generally results in a sizable capital gain from the price paid many years ago. Even after the primary home deduction, usually the sale of a long-time residence results in a sizable cash event.

2

### Sale of a business

Regardless of the type of business, or whether it's been sold to employees or to another company, the sale of a business is still an asset sale. That means it gets taxed as a capital gain in most cases. Advisors can help take better control of that tax bill going forward and implement tax management on the invested proceeds with long-term planning.

3

### Proceeds from stock grants and deferred compensation plans

Stock grants and other forms of equity participation may result in a sizable tax bill. Help investors place these assets in a tax-efficient solution.

4

### Inheritance

Inheritance is non-qualified and could result in a large tax bill unless properly managed.

5

### Insurance payouts

While insurance payouts are typically tax free, investors may benefit from a tax-efficient investment approach for this lump sum.

6

### Trust accounts

Trusts that aren't pass-through entities—meaning trusts that have their own tax identification number and file their own tax return—have a unique tax situation. Once taxable income exceeds \$15,650, these trusts are most often taxed at the highest tax level possible. Today that rate is 37%, in addition to the 3.8% net investment income tax (NIIT), for a total top marginal tax rate of 40.8%. \*\*

7

### Current taxable assets with an unwanted tax bill

Many investment products are managed in such a way that an objective is to maximize pre-tax returns, while after-tax returns are secondary, if considered at all. Take the time to analyze the accounts of your clients to make sure the investments in them make sense for the tax status of the account (qualified vs. non-qualified).

### Interested in taking advantage of tax-managed investing to grow your business?

Contact your dedicated Russell Investment<sup>®</sup> team at 800-787-7354, email us at [service@russellinvestments.com](mailto:service@russellinvestments.com), or visit [russellinvestments.com](http://russellinvestments.com).

### IMPORTANT INFORMATION AND DISCLOSURES

\*\* Source: Internal Revenue Service

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