

# DON'T LET TAXES DRAG YOU DOWN

A sharp eye toward asset location can help prevent taxes from chipping away at your investment returns.

Taxes are the ever-present elephant in the room in any discussion of saving and investing. After all, good returns don't mean much if a large portion goes straight to the tax man. When constructing a portfolio, the concept of "tax drag" should be a primary consideration.

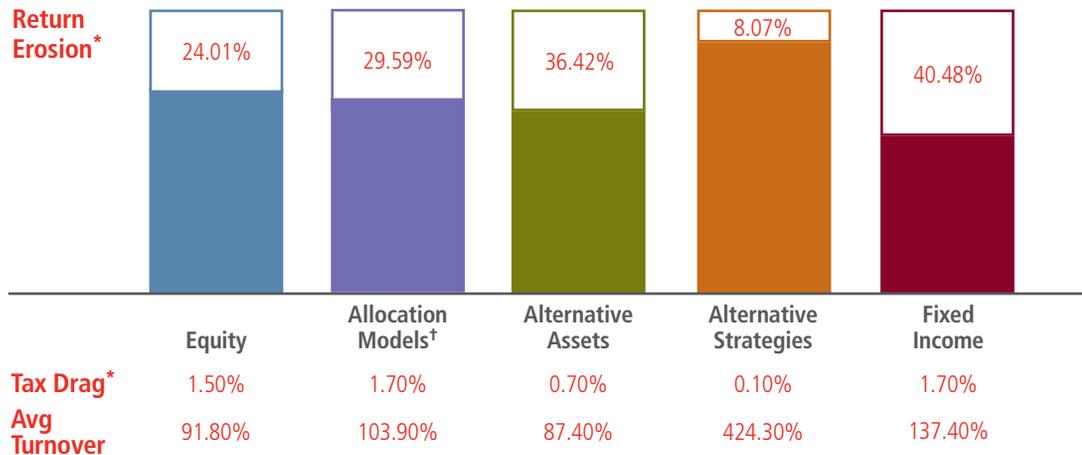
**What is tax drag?** Tax drag is a figure representing your pre-tax return minus your after-tax return. For example, if you have a return of 8% and the tax drag is 2%, your real return is now 6%. Return erosion is the actual percentage of your return lost to taxes. In the previous example, that 2% tax drag amounted to 25% of your overall return lost to taxes.

With a strategic approach to the types of assets—and the location of those assets—within a portfolio, investors can help manage tax drag and keep more of their returns at work, or in-pocket.

**Everyone has to pay taxes. But with a vigilant strategy, you can help ensure you don't exceed your fair share.**

## Losing Your Gains

A look at how taxes erode the investment returns of various asset types



### Did You Know?

Higher turnover often means more short-term gains, which can increase an investor's tax burden.

**Past performance is no indication of future results.**

\*Morningstar tax drag and percent of return data from each fund inception to 12/31/2017.

<sup>†</sup>An average of several asset allocation models—each containing a mix of equities, fixed income, and alternative assets and strategies—calculated using Morningstar data.

Equity is comprised of Morningstar's Equity Global Broad Category Group.

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Alternative Strategies is comprised of Morningstar's Alternative Global Broad Category Group.

See other side →

Contact your representative today to learn more about strategies that can help manage tax drag in your portfolio.

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