



# Taxes can be a drag

## USE ASSET LOCATION TO GENERATE TAX ALPHA

Taxes can have a significant effect on portfolio performance, reducing gains and slowing wealth accumulation. Wealth managers who evaluate the tax drag of different investments and actively control the location of those assets among taxable and tax-deferred accounts<sup>1</sup> can add net of tax return and provide a source of tax alpha<sup>2</sup> for clients. Volatility sometimes causes investors to move portions of their equity assets into fixed income accounts and add alternatives to their portfolios.

While diversifying<sup>3</sup> equity assets with alternatives and fixed income investments can work to help manage volatility, the inherent tax inefficiencies of these investments may reduce your returns.

Ultimately, taxable income distributions and frequent portfolio turnover generate a percentage per-year tax drag, which creates small reductions in earnings that can significantly add up over the long term.

**Placing tax-inefficient investments into tax-advantaged accounts can keep more of your money working for you.**

<sup>1</sup> Tax deferral offers no additional value if an annuity is used to fund a qualified plan, such as a 401(k) or IRA, and may be found at a lower cost in other investment products. It also may not be available if the annuity is owned by a legal entity such as a corporation or certain types of trusts.

<sup>2</sup> Tax alpha occurs from additional net-of-tax investment performance due to tax-related wealth-management decisions.

<sup>3</sup> Diversification does not assure a profit or protect against loss in a declining market.

<sup>4</sup> Russell Tax Impact Comparison Tool average turnover, tax drag, and percent of return data since funds' inception through October 31, 2021. These numbers are based on 10-year returns pulled in November of 2021.

<sup>5</sup> An average of several asset allocation models—each containing a mix of equities, fixed income, and alternative assets and strategies—calculated using Russell Tax Impact Comparison Tool.

<sup>6</sup> Relative tax drag equals absolute tax drag divided by the pre-tax return.

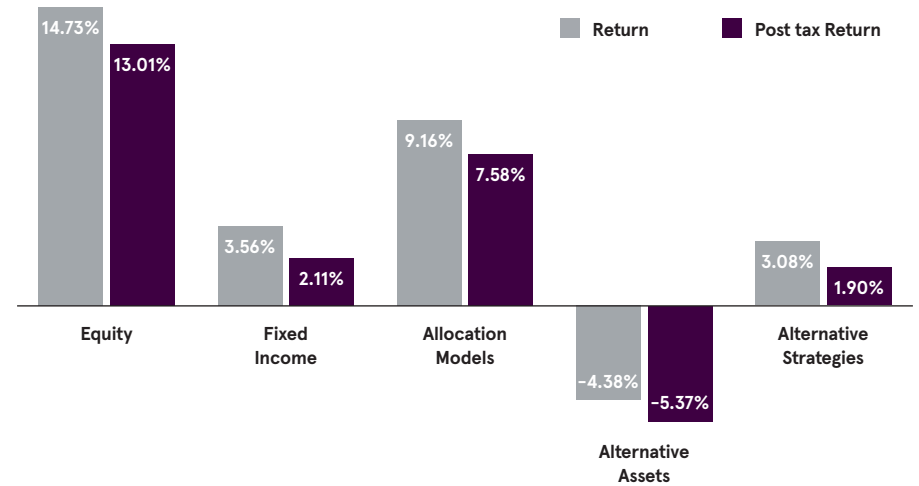
<sup>7</sup> Absolute tax drag equals the pre-tax return less the post-tax return.

Jackson<sup>®</sup> is the marketing name for Jackson Financial Inc., Jackson National Life Insurance Company<sup>®</sup>, and Jackson National Life Insurance Company of New York<sup>®</sup>.

Not FDIC/NCUA insured • May lose value • Not bank/CU guaranteed  
Not a deposit • Not insured by any federal agency

## LOSING YOUR GAINS

The graph shows how taxes erode the investment returns of various asset types.<sup>4</sup>



	Equity	Fixed Income	Allocation Models <sup>5</sup>	Alternative Assets	Alternative Strategies
Relative Tax Drag <sup>6</sup>	11.70%	40.91%	17.25%	-22.49%	38.39%
Absolute Tax Drag <sup>7</sup>	1.72%	1.46%	1.58%	0.99%	1.18%

Equities is based on the average return of: Large Growth, Large Blend, and Large Value, from the Russell Tax Impact Comparison Tool.

Fixed Income is based on the average return of: Intermediate Core-Plus Bond, Corporate Bond, Intermediate Government, Short-Term Bond, and High Yield, from the Russell Tax Impact Comparison Tool.

Allocation Models is based on the average return of: Allocation 30%-50%, Allocation 50%-70%, and Allocation 85% Equity, from the Russell Tax Impact Comparison Tool.

Alternative Assets is based on the average return of: Commodities Broad Basket and Equity Precious Metals, from the Russell Tax Impact Comparison Tool.

Alternative Strategies is based on the average return of: Managed Futures, Long Short Equity, Relative Value Arbitrage, and Non-Traditional Bond, from the Russell Tax Impact Comparison Tool.

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

See other side

---

**Call your financial professional today to learn more about how tax-advantaged accounts could benefit you.**

---

**Jackson, its distributors, and their respective representatives do not provide tax, accounting, or legal advice. Any tax statements contained herein were not intended or written to be used and cannot be used for the purpose of avoiding U.S. federal, state, or local tax penalties. Tax laws are complicated and subject to change. Tax results may depend on each taxpayer's individual set of facts and circumstances. You should rely on your own independent advisors as to any tax, accounting, or legal statements made herein.**

Annuities are issued by Jackson National Life Insurance Company (Home Office: Lansing, Michigan) and in New York by Jackson National Life Insurance Company of New York (Home Office: Purchase, New York). Variable annuities are distributed by Jackson National Life Distributors LLC, member FINRA. May not be available in all states, and state variations may apply. These products have limitations and restrictions. Contact Jackson for more information.