



A \$600 BILLION OPPORTUNITY

How Tax-Focused Planning Strategies
Could Save Your Clients' Wealth

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Avantax
by Cetera

Investing wisely is the key to building wealth, but taxes can eat into hard-earned income. In fact, ignoring the tax implications of investment decisions can result in lower after-tax returns. Tax alpha is an important concept for investors who aim to maximize their after-tax results. In 2021, Americans left an estimated \$600 billion in tax alpha on the table.¹ Why overlook money that could be supporting your clients and their families? As a Financial Professional, you have the power to help clients keep their piece of that \$600 billion. All it takes is a deep understanding of tax alpha.

What is Tax Alpha?

Tax alpha refers to the added value that can be generated from effective tax-intelligent planning and management of an investment portfolio. By combining various tax-intelligent strategies—like asset transfers, asset management, pre-retirement, distribution and wealth transfers—you can help generate a potentially higher value of after-tax returns, or tax alpha.

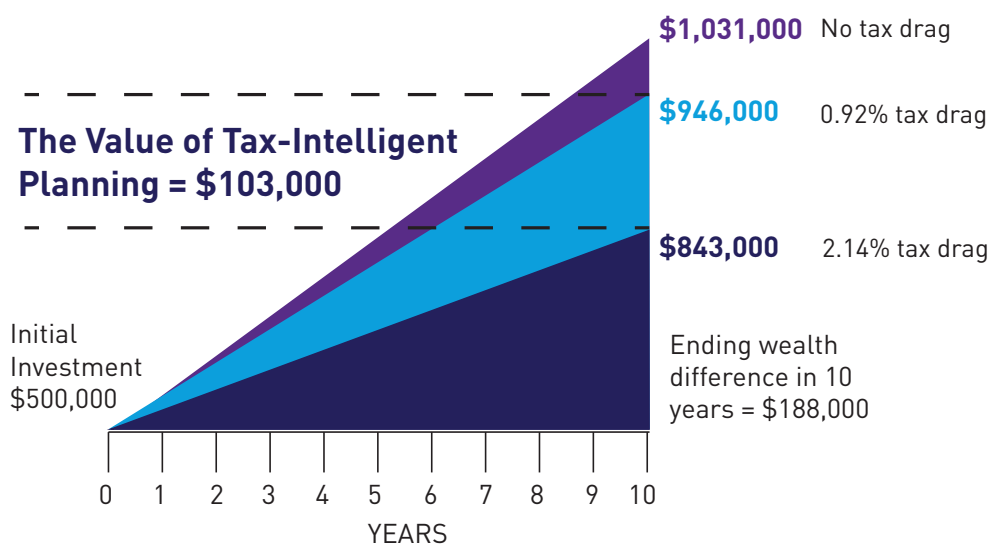
By incorporating tax-saving strategies, it has been estimated that the average investor would realize an incremental 1.2%² annually.

And that's just the beginning. Not only can this additional layer of tax knowledge help identify opportunities to reduce taxes, but **the compound effect of the money saved and reinvested can have a significant impact on your clients' overall financial health, both now and in the future.**

How Can Taxes Impact Your Clients' Financial Picture?

Taxes can erode the net result of your clients' hard work—otherwise known as tax drag. Tax drag refers to the decrease in after-tax returns that arises when gains are actualized and incur tax obligations. That's why comprehensive financial advice focuses on after-tax results—not just portfolio performance. Consider the difference a tax-intelligent strategy could make over a 10-year period; tax-intelligent strategies could significantly increase your clients' overall net worth, making a lasting impact on their financial futures.

Example Growth of \$500,000 at 7.5% Annual Return Per Year



This example does not reflect the deduction of state or federal income taxes. If it had, returns would have been lower. This is a hypothetical illustration and not meant to represent an actual investment strategy. Taxes may be due at some point in the future and tax rates may be different when they are. Investing involves risk and you may incur a profit or loss regardless of strategy selected. Source: Russell Investments' 2023 Value of an Advisor Study.

Tax-Focused Approach

By taking a tax-focused approach, a Financial Professional can help clients keep more of their tax alpha and improve their financial outcomes. Ultimately, every financial decision is also a tax decision, so by layering tax-advantaged strategies onto a comprehensive plan, your advice will give clients a strong advantage in pursuing their financial goals.

The **Tax-Intelligent Planning Concepts** shown below are core components of a comprehensive financial plan. Embracing these principles will help clients make informed decisions about their futures and can positively impact their financial situations in the short and long term.





Tax-Focused Investment Strategies

Let's zero in on one of the core concepts: tax-focused investment strategies. Wise investing requires that a portfolio reflect your clients' risk tolerance, time horizon and liquidity needs. However, successfully navigating the markets' ups and downs requires that you take further steps to maximize their net results. By considering tax implications, you can help ensure the returns your clients earn are not eroded by taxes.

Take this next step and incorporate tax-focused strategies so that you know where to invest, what to invest in, how to invest tax efficiently, and lastly, when to withdraw income to help maximize spending power.

- **Where To Invest:** Asset location strategies across taxable and tax-deferred account types.
- **What To Invest:** Investment products and solutions specifically aligned with an individual's particular tax situation and station in life.
- **How To Manage Investments in a Tax-Efficient Way:** Minimization of capital gains and large one-time tax expenses.
- **When To Realize Income:** Personalized investment solutions and income distribution strategies that maximize after-tax income in retirement.



Additional Tax-Intelligent Planning Concepts

It takes more than implementing one of these concepts to increase your clients' tax alpha. Your approach must be comprehensive and address all aspects of tax-intelligent planning to achieve maximum results. It's important to recognize that EVERY client will need to confront these topics at some point in their financial lives, and your expertise in prioritizing each client's specific needs is what will set you apart. Taxes are inherently built into each of these concepts. By creating and implementing a complete, tax-intelligent plan, you could be the Financial Professional who transforms your clients' financial future, and helps them realize their goals faster.



RETIREMENT PLANNING & WITHDRAWAL STRATEGIES

While retirement may start in the later stages of life, the dreams of a comfortable and secure retirement start much earlier. The sooner retirement needs are identified and addressed, the more likely your clients will realize those dreams. Guiding your clients through the accumulation and withdrawal stages of retirement requires consistency and discipline — as well as an intimate understanding of the tax implications of saving and spending in retirement.



FAMILY RISK MANAGEMENT

Every financial plan has potential risks associated with it – risks that can become very real when life does not go as planned. It is important to mitigate these risks so the client's family and their financial plan, does not suffer because of catastrophic life events.



BUSINESS PLANNING

Most businesses in the U.S. are not run by corporations, but rather by families. Planning for contingencies is important especially when the focus of the business is on the day-to-day operations instead of the overall company vision. Preparing for growth, business continuity, employee retention, and tax savings is of utmost importance. Planning for these areas can help both the employer and employee to succeed financially.



LEGACY PLANNING

Legacy planning comes down to ensuring wishes, values and priorities are upheld throughout — and beyond — your client's life. Whether through education, charitable giving or trust planning, building a legacy can ensure the next generation of family are supported and your client's hard work leaves the intended impact.



EDUCATION PLANNING

Despite increasing tuition costs and uncertainty surrounding the value of attending college, education planning can be one of the easiest financial hurdles to overcome. With recent tax-law changes, education planning is not limited to college tuition alone. It is important to discuss the educational options available for children and grandchildren, and see how these options can affect cash flow, debt management, and estate tax planning.



CASH FLOW MANAGEMENT

The concept of cash-flow management boils down to one thing: How much is being saved versus how much is being spent? Your client's savings and spending choices should reflect their values and priorities, and illustrating those priorities in a cash flow plan can positively impact their financial situation. A clear picture of monthly inflows and outflows can lead to informed decisions on other aspects of financial planning.

FIRMS ATTRIBUTE **27% OF CLIENT GROWTH** TO THE FACT THEY PROVIDE A **TAX-INCLUSIVE** **APPROACH** TO FINANCIAL PLANNING.⁴

The average American pays \$10,489 in income taxes. Over a 20-year period, that's more than \$200,000.³

All too often, traditional Financial Professionals focus on gross investment returns without any concern for potential tax liabilities down the road. In fact, the typical advisor, when asked about the tax implications of an investment, will respond with “consult your tax professional.”

Because taxes are among investors' largest expenses in life, we believe that accounting for tax ramifications is an essential part of a true, comprehensive financial plan. We're not alone in that assessment. In a recent survey, 8 out of 10 Financial Professionals thought they could offer better guidance with a tax-focused approach to planning.⁴

How do you ensure your clients can follow a tax-focused plan? It's all about the process.

When a well-defined, streamlined, and easily repeatable process is put into place, your clients benefit. Here are four key elements to consider:

- A cohesive set of resources defining people, process and practice management efforts for working with clients.
- An efficient client onboarding process.
- An easily repeatable comprehensive planning experience.
- An organized system of tax-intelligent collateral, technology and expertise.

8 out of 10

Financial Professionals think they could better serve clients by always putting a tax lens on financial recommendations.⁴

Tax-Intelligent Investing Solutions

As you develop your tax-intelligent practice, you'll likely discover the two primary obstacles faced by Financial Professionals are limits on time and access to information. Tax-focused Financial Professionals often find fully implementing their expertise to help clients is time-consuming. To help remove these roadblocks to success, Avantax introduced Tax-Intelligent Tools. These tools provide Avantax Financial Professionals scalability and efficiency in finding tax-saving opportunities for clients, allowing them to deliver tax-intelligent expertise and unique value to more clients.

Getting Started on the Road to 1.2%

There is no golden arrow or single strategy to increase your clients' tax alpha. As a Financial Professional, it is essential that you expand your planning approach to include tax-intelligent strategies and concepts so they are fully embedded in your client's financial lifecycle.

This may sound complex, but when you partner with Avantax, we make it easier. Our processes have been refined over decades into easily understandable and implementable actions. Our Investment Solutions Specialists and Advanced Case Design team help you comprehensively serve clients and implement these strategies to fit your individual client needs.

About Avantax

Since 1983, Avantax has supported an independent network of tax and non-tax professionals who provide comprehensive financial services including securities, insurance, money management services and banking solutions. We pioneered tax-intelligent investing over 40 years ago, and since then, we've been helping clients nationwide pursue better after-tax results. We pride ourselves on partnering with Financial Professionals looking to grow their businesses and benefit clients by incorporating comprehensive financial planning through a tax-focused lens.

We developed a comprehensive technology platform designed by tax professionals and tax-savvy financial advisors to identify powerful solutions for almost every situation. Avantax offers industry-leading, proprietary Tax-Intelligent Tools coupled with some of the best wealth management software solutions in the industry, including eMoney, MoneyGuidePro®, WealthscapeSM and EnvestnetTM. We provide training for your entire staff – not just one point-person – to help you utilize technology to improve firm efficiency and ensure your clients capture their share of tax alpha.

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SOURCES:

¹What is Tax Alpha? Why Should You Care?" – Natixis Investment Managers

²Russell Investments' 2023 Value of an Advisor Survey

³USA Today "A Foolish Take: How Much Does the Average American Pay in Taxes?" October 7, 2017

⁴Arizent 2020 tax and financial advisor professionals survey

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