



TAXES KILL
INVESTMENT RETURNS

WE CAN HELP

www.cvfpartners.com

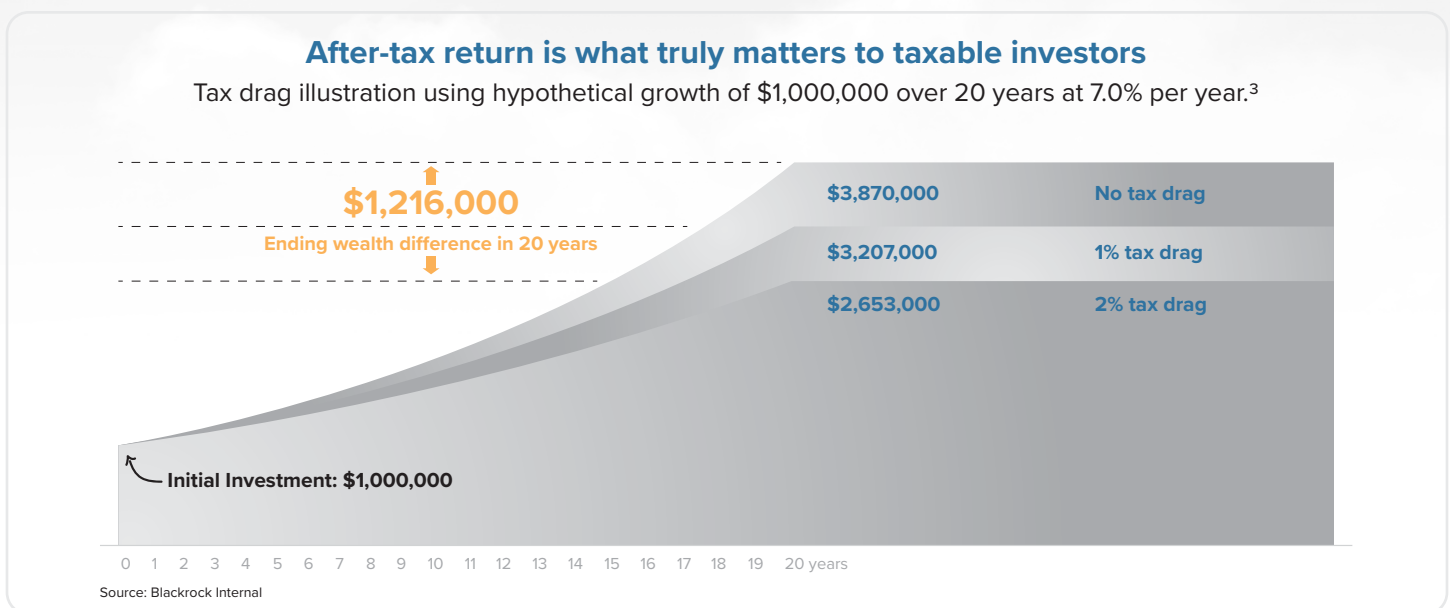
Many investors assume that paying taxes on their investment gains is simply the cost of doing business. They might assume that trying to reduce their investment-related taxes is something only the super wealthy are capable of. But taxes have the potential to reduce your investment returns, so they are worth paying attention to regardless of your income level.

Long Term Capital Gains Rate	Short Term Capital Gains Rate
23.8% ¹	40.8% ²

Tax Drag

Tax drag is the reduction in an investment portfolio's returns due to taxes on dividends, interest, and capital gains. It occurs when taxable events, such as selling assets at a gain or receiving income distributions, trigger tax liabilities that diminish overall returns. In the case below, it reduces an investor's return by more than \$1 million over a 20-year period!

Fee Impact

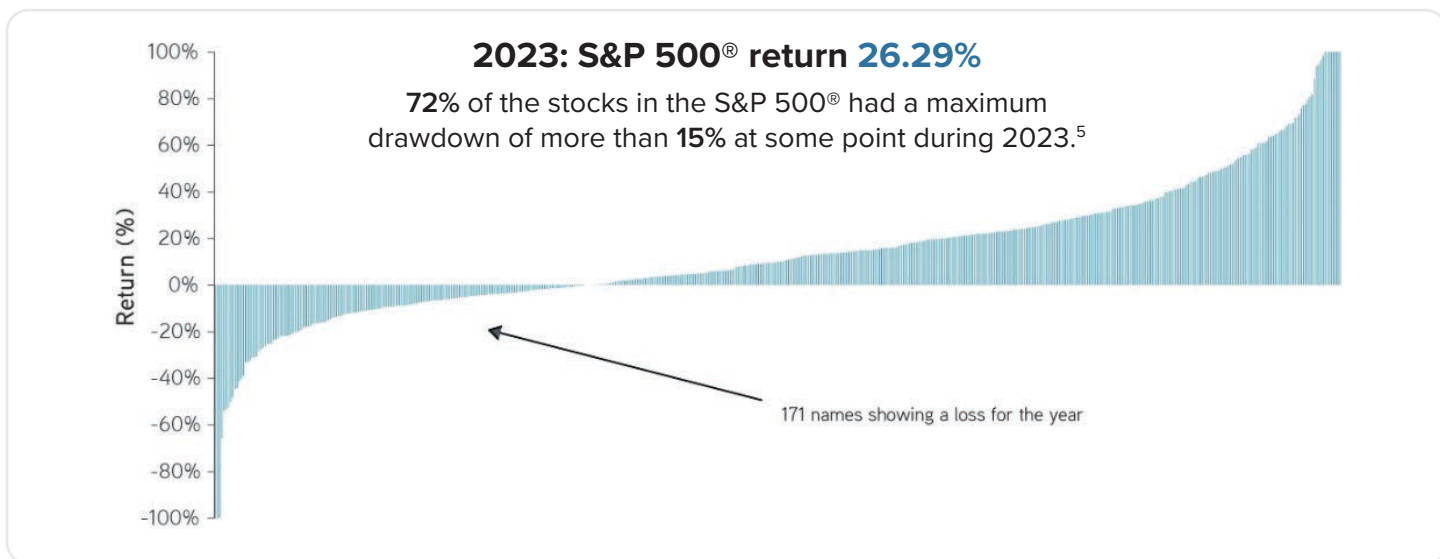


Outside of taxes, fees on investment accounts create an additional hurdle for compounding returns. ETFs⁴ are a great way to lower the impact of fees as they are a low-cost way to invest for the future. But what happens after all those years when you want to sell and you've built up a huge gain? There could be a hefty tax bill, but what if there was a way to minimize this and keep more money in your pocket...

1. Assumes highest applicable capital gain rate and is cited for illustrative purposes
2. Assumes highest applicable capital gain rate and is cited for illustrative purposes
3. Assumed 7.0% flat annual growth rate is for illustrative purposes only to demonstrate how tax drag works. The illustration above does not represent any investment strategy. Actual performance will vary. Investing involves risk, including possible loss of principal. Asset allocation and diversification may not protect against market risk, loss of principal, or volatility of returns. Tax drag is the reduction of potential investment returns because of taxes, and amount of tax drag is dependent on an individual taxpayer's financial situation. Taxes may be due in the future, and tax rates may be different at that time. Investing involves risk, and you may incur a profit or loss regardless of strategy selected. An investor must have gains to offset losses to benefit from tax-loss harvesting. It may not be possible to realize losses in any particular account in any particular year. Tracking an index may limit the extent to which all unrealized losses can be realized. Assumes highest applicable capital gain rate and is cited for illustrative purposes.
4. ETFs trade like stocks, are subject to investment risk, fluctuate in market value, and may trade at prices above or below the ETF's net asset value (NAV). Upon redemption, the value of fund shares may be worth more or less than their original cost. ETFs carry additional risks such as not being diversified, possible trading halts, and index tracking errors.

Direct Indexing: A Smarter, More Efficient Portfolio

In this case of the S&P 500, instead of buying an underlying basket of 500 stocks⁵ like an ETF, Direct Indexing buys 100-200 of the underlying securities to replicate the index. This gives the portfolio the flexibility to buy and sell positions to create tax losses while mirroring index like returns at the same time. The result of this is building up tax losses to offset future gains, all while capturing very similar returns to the S&P 500.



Direct index investing sells these underperforming securities throughout the year to create a loss while seeking to maintain a return similar to the S&P 500 return of 26.29% in this case. Then in future years when you sell securities that have a gain, you offset them with these accumulated losses which minimizes your tax burden. In contrast, in an ETF you can't sell these underperforming stocks to capture the loss. While you still get a similar return in the given year, you do not accumulate any future tax savings which generally gives direct index investing the edge on an after-tax basis.

5. Stock investing includes risks, including fluctuating prices and loss of principal.

Two Prong Solution

First: Clearview Financial Partners has directly negotiated deals with asset managers for reduced pricing on their products. Giving our clients a competitive advantage over the traditional market place.

Second: Direct Indexing. Gives investors the opportunity for equity market exposure while actively harvesting losses.

In the example below, John Smith has \$3,000,000 in a stock account. Let's compare investing on his own in a traditional ETF versus Direct Indexing through a Financial Advisor.⁶

Tax implication	ETF	Direct Index Investing
Original value	\$3,000,000	\$3,000,000
10 year total return net of fees*	71.70%	65.40%
New value after 10 years	\$5,151,000	\$4,962,000
Accumulated gains	\$2,151,000	\$1,962,000
Accumulated losses**	\$0	(\$1,320,000)
Net gain	\$2,151,000	\$642,000
Tax paid (23.8% capital gains rate)	\$511,938	\$152,796
After tax cash flow	\$4,639,062	\$4,809,204
After tax return	54.64%	60.31%

Cash flow difference using Direct Indexing	\$170,142
Total return difference using Direct Indexing	5.67%

* See return assumptions

** Direct Indexing strategy assumes that approximately 44% of the account's original value will be harvested as losses over 10 years

Source: BlackRock Internal data and MSCI

Return assumptions*	ETF	Direct Indexing
Gross Annual Return	7.20%	7.20%
Investment Expense***	0.03%	0.16%
Advisory Fee	0.00%	0.50%
Net Annual Return	7.17%	6.54%
10 year Total Return	71.70%	65.40%

*** S&P 500 Index net of 0.03% fee vs 0.16% fee for Direct Indexing through Clearview Financial

Through this strategy, John Smith has enhanced his return by roughly \$170k net of fees.

6. This page contains returns and other data that are based on hypothetical performance information. Assumes account is cash funded with the highest possible tax rates based on the S&P 500 Index. Actual performance will vary. Investing involves risk, including possible loss of principal.

CASE STUDIES⁷

Case Study 1:

Fortune 500 Executive Managing Stock Concentration & Tax Liabilities

Client Profile:

- **Name:** James
- **Age:** 45
- **Occupation:** Senior Engineer at a Fortune 500 Company
- **Portfolio Size:** \$3 million
- **Primary Concern:** Managing overconcentration in company stock and reducing capital gains tax

Challenge:

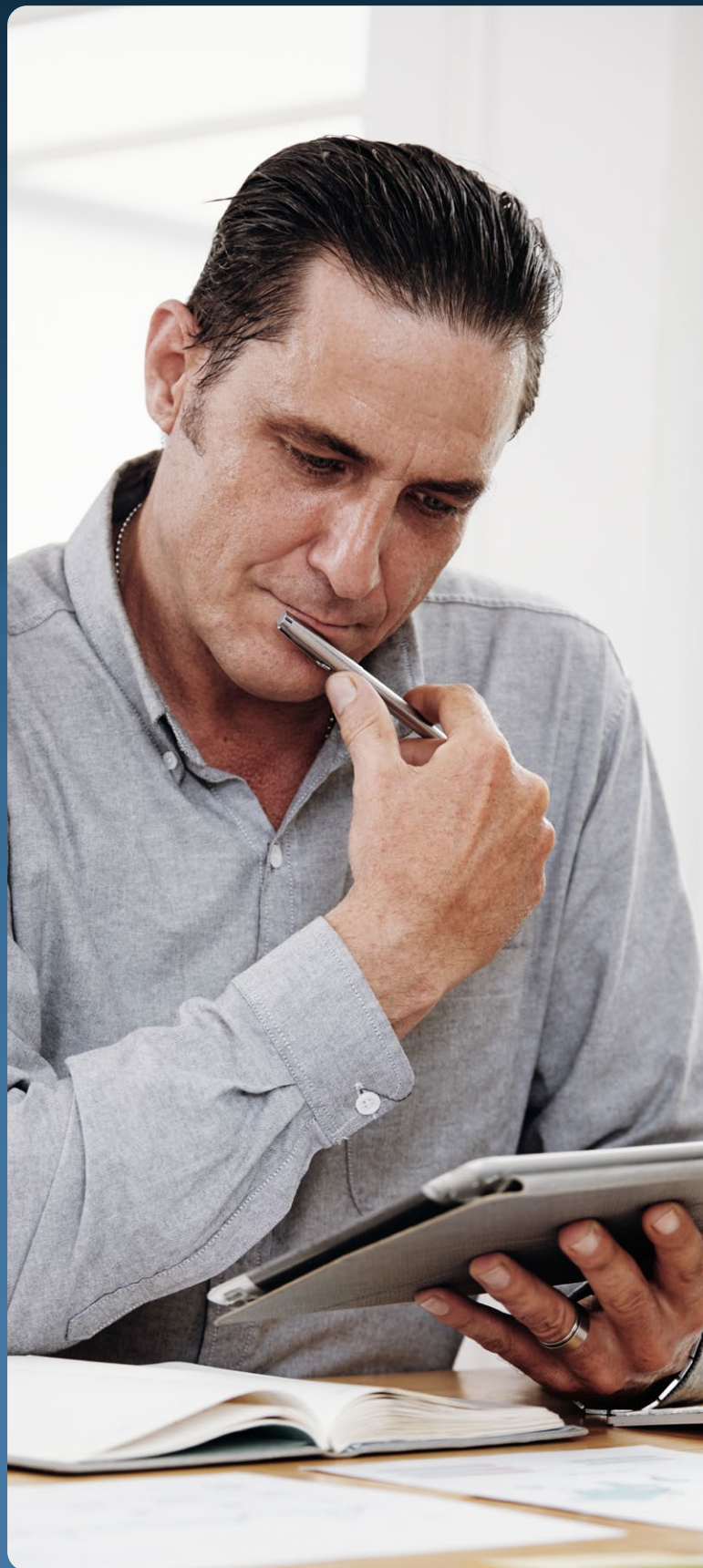
James had received substantial stock grants over the years, resulting in a large concentrated position in his employer's stock. He wanted to diversify his portfolio without triggering excessive capital gains taxes.

Solution:

His financial advisor implemented a Direct Indexing strategy by transitioning a portion of his portfolio to a custom-built index that mirrored the S&P 500 but excluded his employer's stock to reduce overconcentration risk. Over time, the advisor actively harvested losses from underperforming stocks within the Direct Indexing portfolio to offset the capital gains generated from gradually selling his employer stock.

Outcome:

- Reduced exposure to employer stock without a large immediate tax bill
- Offset capital gains taxes using harvested losses, allowing for tax-efficient rebalancing
- Maintained diversified exposure to the overall market



7. These are hypothetical situations based on real life examples. Names and circumstances have been changed. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments or strategies may be appropriate for you, consult your advisor prior to investing.

Case Study 2:

Retiree Selling a Business & Managing a Large Tax Event

- **Client Profile:**

- **Name:** Linda
- **Age:** 62
- **Occupation:** Recently retired small business owner
- **Portfolio Size:** \$5 million (post-sale liquidity)
- **Primary Concern:** Offsetting capital gains from business sale

Challenge:

Linda had recently sold her business for \$2 million, resulting in a significant capital gain. She was concerned about the tax liability and wanted to find ways to reduce it.

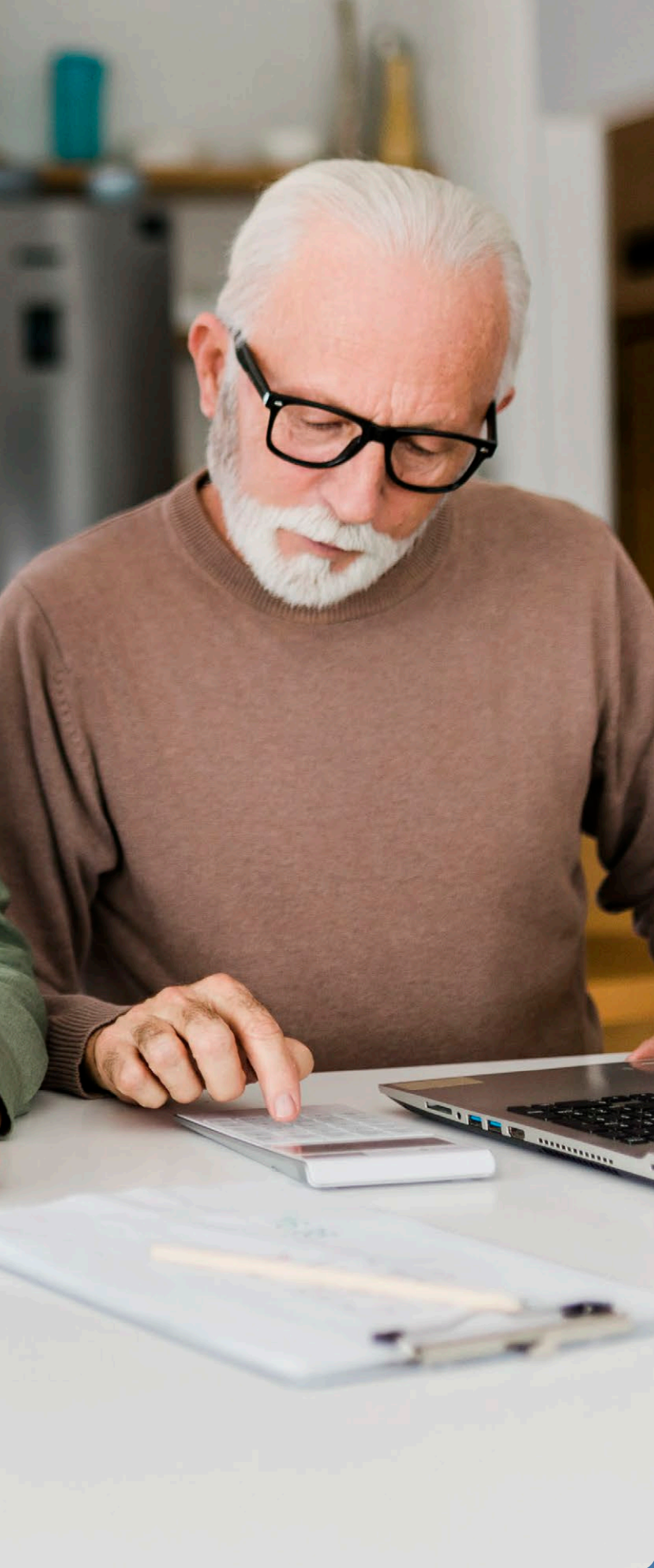
Solution:

Her financial advisor allocated a portion of her newly liquid capital to a Direct Indexing strategy that mirrored the total stock market but actively engaged in tax-loss harvesting throughout the year. Losses from declining stocks within the portfolio were systematically harvested and used to offset some of the capital gains from the business sale.

Outcome:

- Applied tax-loss harvesting to reduce taxable gains from the business sale
- Smoothed tax liabilities over multiple years by spreading out realized losses
- Built a highly customized portfolio aligned with her long-term retirement goals





Case Study 3:

High-Net-Worth Investor with Real Estate Gains

• Client Profile:

- Name: Robert & Jill
- Age: 50s
- Occupation: Real estate investors
- Portfolio Size: \$10 million (mix of real estate and stocks)
- Primary Concern: Offsetting capital gains from selling an investment property

Challenge:

Robert and Jill sold a rental property that had appreciated significantly, resulting in a \$500,000 capital gain. They wanted to minimize their tax exposure without disrupting their long-term investment strategy.

Solution:

They worked with their financial advisor to transition a portion of their stock holdings into a Direct Indexing strategy, allowing them to continuously harvest losses from underperforming stocks. These losses were used to offset a portion of their real estate capital gains, effectively reducing their tax bill.

Outcome:

- Used tax-loss harvesting to reduce real estate capital gains taxes
- Maintained a diversified stock portfolio without relying on mutual funds or ETFs
- Created a tax-efficient long-term investment strategy



100 Matsonford Rd., Building 5, Suite 110
Radnor, PA 19087

610-293-9211 | 610-293-9271

info@cvfpartners.com

Investment advice offered through Clearview Financial Partners, a registered investment advisor.

No investment strategy assures a profit or protects against loss.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.