

# Taxes & Your Investment Return

WHY FOUR PEAKS WEALTH MANAGEMENT'S YEAR-END TAX STRATEGY WORKS FOR YOU

March 2017

A FPWM Client Learning Tool

## What the numbers mean on your Form 1099

The gain or loss on your tax statement from Schwab for last year is not your actual total portfolio gain for the year.

Compare the total account value at the end of the year with the account value at the beginning of the year for your actual gain.

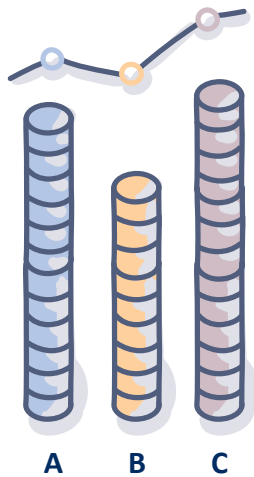
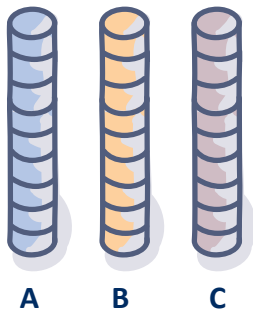
## Diversification & its effect on year-end taxes



FPWM creates portfolios with a diversified mix of assets. Then we work to minimize your taxes owed at the end of the year. We may sell assets to offset gains so that you owe less to the IRS. Some assets may be held so that gains can be deferred until a future date.

## A simple example

You start the year with \$100 in A, B, and C.



At year end, A is up 20% to \$120, B is down 10% to \$90 and C is up 30% to \$130.  
**Your total investment value is now \$340.**

**“At FPWM we intentionally take steps to keep the taxes you owe as low as we can.”**

—Dr. Allen Atkins, Finance Professor and FPWM Chief Market Strategist

You sell A for a \$20 gain and B for a \$10 loss. You do not sell C, so no tax is currently owed on the \$30 increase.

Your Schwab account will report a **\$10 taxable gain**, which is only 3.33%.

**But remember, you actually gained 13.3% for the year.**



**GAIN for the YEAR**  
**\$40 or 13.3%**



**GAIN REPORTED to the IRS**  
**\$10 or 3.3%**

## Tax impact of deferring gains



**TAX at 25% RATE**  
if all recognized **\$10**



**ACTUAL TAX**  
at 25% RATE **\$2.50**



**RESULT? An additional \$7.50 working for YOU**