How Advisors Use YCharts to Save Clients Money on Taxes
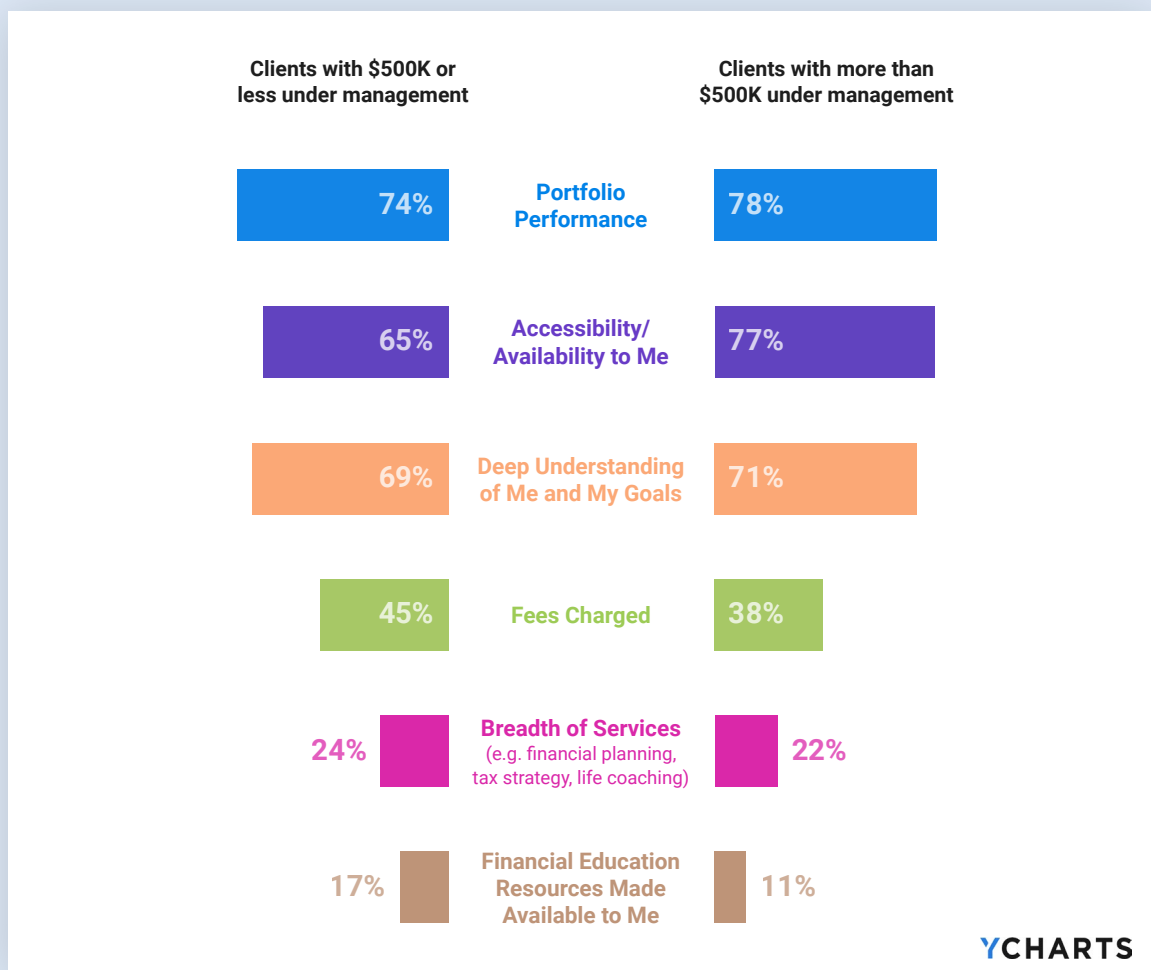
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Introduction

YCharts **surveyed** 671 clients of financial advisors to learn about their communication preferences and what influences their satisfaction with their advisor. Among those surveyed, portfolio performance and a deep understanding of their goals were the most critical factors.

Your clients don't just want you to help grow their nest eggs; they want to be more informed about what you're doing to help them meet their financial goals. Tax-efficient investment strategies can help establish a solid foundation for their financial success and give them a sense of security as they prepare for retirement.

This guide will help you optimize your tax-efficient investment strategies and communicate tax savings to your clients.

Clients with $500K or less under management		Clients with more than $500K under management
74%	Portfolio Performance	78%
65%	Accessibility/ Availability to Me	77%
69%	Deep Understanding of Me and My Goals	71%
45%	Fees Charged	38%
24%	Breadth of Services (e.g. financial planning, tax strategy, life coaching)	22%
17%	Financial Education Resources Made Available to Me	11%

YCHARTS

Visually Show Tax Savings to Clients

We used YCharts **Scenarios** to visualize the following hypothetical investment lifecycle scenario. Quickly build custom scenarios using past performance data or model future expected outcomes to help your clients see their savings.
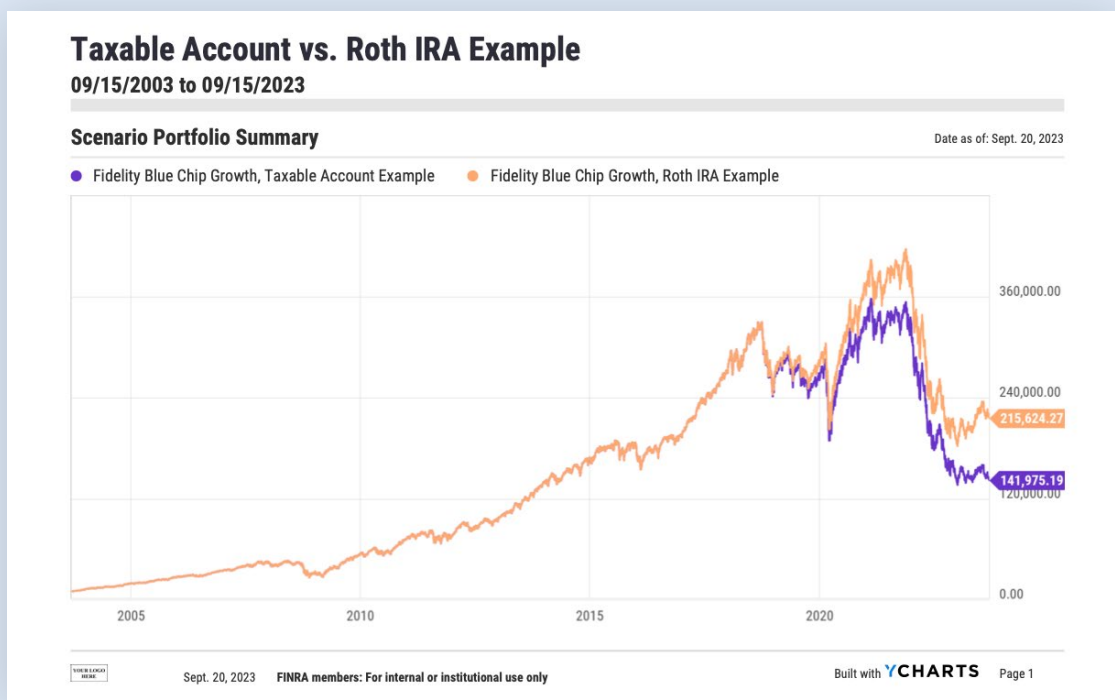
Suppose you had a client named Mary who was 15 years away from retirement in September 2003. Mary invested $10,000 in Fidelity's Blue Chip Growth **(FBGRX)** fund and contributed $500 monthly for the next 15 years. By September 2018, Mary would have contributed $100,000, and that investment would have grown to $328,961.

Then Mary, who pays an effective tax rate of 15%, entered retirement and sought to withdraw $5,000 monthly for the first five years.

If Mary contributed to a Roth IRA for those 15 years, she could simply withdraw $5,000 each month tax-free. However, if Mary had used a taxable brokerage account instead, she would need to withdraw $5,882 monthly to cover the tax liability and still meet that $5,000 monthly income requirement.

In this example, by choosing a taxable investment vehicle such as a brokerage account, Mary would have an account balance of nearly $74,000 lower at the end of the 20 years versus the tax savings from a Roth IRA.

This is where visually illustrating the power of compounding returns combined with tax management strategies to clients is so critical. You are doing the hard work to invest wisely for clients like Mary; Scenarios enable you to show that value to them.

Taxable Account vs. Roth IRA Example
09/15/2003 to 09/15/2023

Scenario Portfolio Summary Date as of: Sept. 20, 2023

● Fidelity Blue Chip Growth, Taxable Account Example   ● Fidelity Blue Chip Growth, Roth IRA Example

215,624.27

141,975.19

360,000.00

240,000.00

120,000.00

0.00

2005   2010   2015   2020

YOUR LOGO HERE   Sept. 20, 2023   **FINRA members: For internal or institutional use only**   Built with **YCHARTS**   Page 1

Find Tax-Efficient Investments

Without the right tools, finding tax-efficient investments can be time-intensive. YCharts can help you simplify your search and quickly find tax-efficient securities in three ways:

1

YCharts Stock and Fund Screeners: setting the Dividend Yield or Distribution Yield metric to 0% narrows YCharts' universe of nearly 30,000 stocks and 80,000 funds to a shortlist of securities that don't pay dividends or issue distributions. Screeners provide easy ways to filter out income-generating securities from your search criteria.

YCharts contains over 4,000 additional financial metrics for further research.
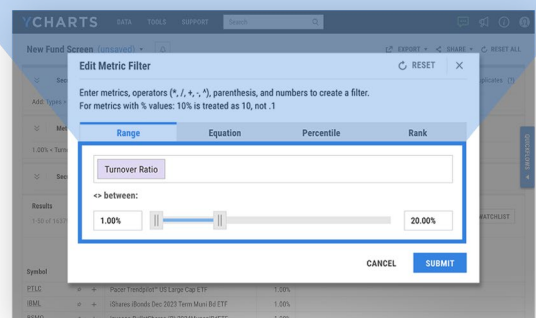
2

The **YCharts Fund Screener** can filter ETFs, closed-end funds, mutual funds, and SMAs based on Turnover Ratio. Choose a range or set a maximum value to see the funds that meet your criteria. Funds with lower Turnover Ratios have engaged in less selling activity, limiting the taxable distributions they generate each year.

Start screening for tax-efficient investments →
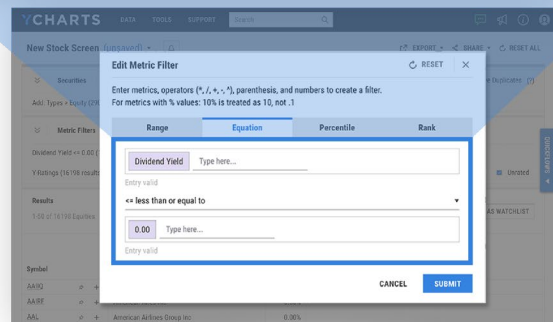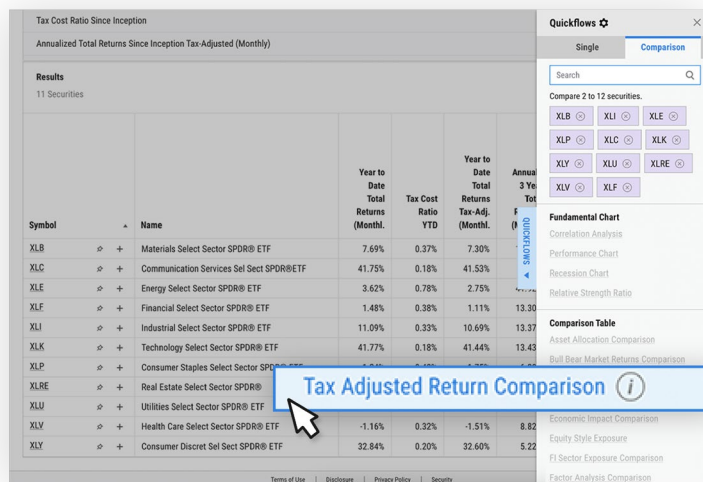
Find Tax-Efficient Investments

3

Evaluating funds based on their Tax-Adjusted Total Returns helps estimate the returns an investor may realize after the tax impact of distributions but before liquidating from a mutual fund, ETF, or closed-end fund. Funds with similar total return and tax-adjusted return values are likely to have a limited tax burden and retain most of their returns.

Tax-adjusted returns data, including Morningstar Tax Cost Ratio data, is easily accessible via the YCharts **"Quickflows"** menu where, in one click, you can compare total and tax-adjusted returns for several funds across multiple periods on a single **Comp Table**.

With just one more click, you can export **Comp Tables** data to a PDF and share it with a client, prospect, or other advisors. This output is perfect for analyzing periodic tax-adjusted return performance for several funds on a printable page.

Once you've found the securities that fit your criteria, it's time to build them into individual strategies tailored to clients like Mary and communicate the value of each.

Construct Tax-Efficient Strategies

Compile securities found via the **Screeners** and **Comp Tables** into **Model Portfolios**, a tool within YCharts capable of creating model strategies with dozens of holdings and custom weights of your choosing.

A full breakdown of a model portfolio is available on its quote page, including key stats such as total returns, tax-adjusted returns, expense ratio, and tax-cost ratio. Any model portfolio can also be compared head-to-head against another portfolio or benchmark.

Access Mary's Model Portfolio in an instant to analyze its holdings breakdown and overlap, historical performance, drift, and more. When meeting with Mary, pull up a chart in real time to visually illustrate the performance and drawdown history of Mary's portfolio.

Did you know?

Advisors who custody with one of YCharts' integration partners can seamlessly import client portfolio holdings and data into Model Portfolios.

View all YCharts integration partners →

Present Strategies to a Client or Prospect

YCharts Report Builder lets you quickly tie it all together for clients and prospects. With an intuitive drag-and-drop interface, Report Builder allows you to construct stunning, customized PDF reports covering all relevant information for a security or portfolio. Reports can include your firm's logo, custom color scheme, and custom disclosures.

The **Proposals** module showcases your chosen financial metrics, such as tax-cost ratio and tax-adjusted returns.

Individual **Talking Points** and other modules, such as **Fundamental Charts**, compare your portfolio against another portfolio or security to form an overall proposal that showcases how your strategy outshines the competition.

You can even include **Scenarios** modules like Mary's from earlier to illustrate the power of regular contributions to a portfolio and tax treatment when taking distributions.

Create your own fully customized reports →

Take Advantage of Tax-Loss Harvesting

Tax-loss harvesting offers a way to salvage some value from losing positions by using capital losses to offset gains and ordinary income. This strategy can ultimately lead to a lower tax bill for a client like Mary during tax season.

YCharts Comp Tables and **Watchlist** tools can show tax-loss harvesting opportunities across a client's Model Portfolio holdings on a single page. This workflow reduces the time required for tax management to minutes instead of hours, making it much easier to take advantage of tax-loss harvesting opportunities for Mary all year round.
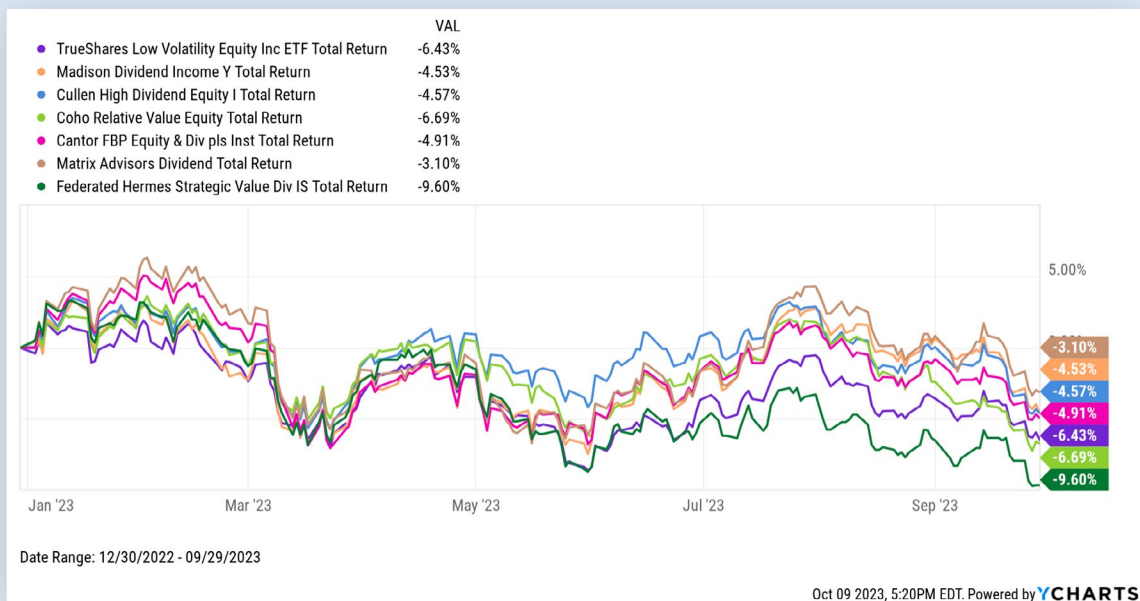
You can also visualize tax-loss harvesting opportunities with **Fundamental Charts** by opening a Watchlist, Comp Table, or Model Portfolio onto a chart to see individual holding performance over time.

Symbol	Name	Year to Date Price Returns (Daily)
TLT	iShares 20+ Year Treasury Bond ETF	-5.35%
SPLV	Invesco S&P 500® Low Volatility ETF	-4.66%
AGG	iShares Core US Aggregate Bond ETF	-1.33%
VNQ	Vanguard Real Estate ETF	-1.13%
SHY	iShares 1-3 Year Treasury Bond ETF	-0.34%
PIMIX	PIMCO Income Instl	-0.10%

Client Example IRA (Qualified) Holdings

Symbol	Name	Year to Date Price Returns (Daily)	1 Year Price Returns (Daily)	3 Year Price Returns (Daily)	Max Drawdown (1Y)	Max Drawdown (3Y)
TLT	iShares 20+ Year Treasury Bond ETF	-5.35%	-12.28%	-42.71%	39.10%	44.14%
SPLV	Invesco S&P 500® Low Volatility ETF	-4.66%	-6.71%	14.38%	17.26%	17.26%
AGG	iShares Core US Aggregate Bond ETF	-1.33%	-3.94%	-19.15%	17.31%	18.44%
VNQ	Vanguard Real Estate ETF	-1.13%	-15.70%	1.62%	32.86%	32.86%
SHY	iShares 1-3 Year Treasury Bond ETF	-0.34%	-1.44%	-6.47%	5.39%	5.71%
PIMIX	PIMCO Income Instl	-0.10%	-3.90%	-12.15%	11.85%	11.98%
LUBAX	Lord Abbett Ultra Short Bond A	0.71%	0.51%	-1.49%	1.38%	1.66%
MINT	PIMCO Enhanced Short Maturity Active ETF	1.18%	0.64%	-2.12%	2.21%	2.42%
EEM	iShares MSCI Emerging Markets ETF	3.09%	-1.29%	-11.06%	33.19%	39.80%
COMT	iShares GSCI Cmd Dyn Roll Stgy ETF	4.22%	-23.81%	16.87%	28.87%	31.92%
GLD	SPDR® Gold Shares	4.63%	10.50%	-2.72%	21.03%	22.00%

	VAL
● TrueShares Low Volatility Equity Inc ETF Total Return	-6.43%
● Madison Dividend Income Y Total Return	-4.53%
● Cullen High Dividend Equity I Total Return	-4.57%
● Coho Relative Value Equity Total Return	-6.69%
● Cantor FBP Equity & Div pls Inst Total Return	-4.91%
● Matrix Advisors Dividend Total Return	-3.10%
● Federated Hermes Strategic Value Div IS Total Return	-9.60%

5.00%

-3.10%
-4.53%
-4.57%
-4.91%
-6.43%
-6.69%
-9.60%

Jan '23   Mar '23   May '23   Jul '23   Sep '23

Date Range: 12/30/2022 - 09/29/2023

Oct 09 2023, 5:20PM EDT. Powered by YCHARTS

Tools & Support

Tax-efficient investing is an essential but time-intensive task. Your clients like Mary care about performance and want to know that you understand their goals. Tax-efficient investing is a critical component of meeting these expectations.

YCharts' research, portfolio construction, and communication tools are designed to save you time so you can focus more on serving your clients.
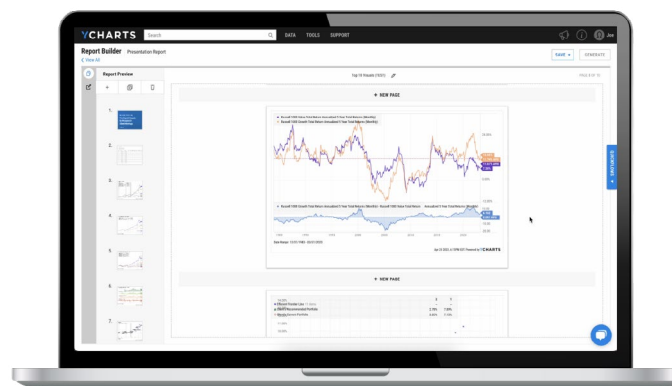
YCharts can help you save time and optimize your practice in several ways. Learn more about our tools below:

✎ **Custom Reports**	▽ **Stock** & **Fund Screeners**	▭ **Model Portfolios**
⊞ **Report Builder**	▤ **Comp Tables**	⚙ **Portfolio Optimizer**
↗ **Fundamental Charts**	⊞ **Excel Add-in**	▯ **Proposals**
↻ **Scenarios**	▭ **Dashboard**	▢ **Talking Points**

Looking for hand-on tutorials of these tools?

Access Our Support Center →

We are on a mission to enable smarter investment decisions and better communication between financial advisors and their clients. YCharts provides research and presentation tools, actionable resources like this guide and slide deck, and outstanding support to RIAs, asset managers, and individual investors. Visit **ycharts.com** *or* **start a free trial** *to learn more.*