



A \$600 BILLION OPPORTUNITY

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



Avantax[®]

Americans left an estimated \$600 billion in tax alpha on the table in 2021, but you can help your clients keep more of what they've earned when you incorporate tax-smart planning strategies into the planning process¹. Why overlook money that could be supporting your clients and their families? What strategies can Financial Professionals implement to help their clients keep their piece of that \$600 billion? It all starts with understanding tax alpha.

What is Tax Alpha?

Tax alpha is the potentially higher value of after-tax returns you can help generate when you combine multiple tax-smart strategies relating to asset transfers, asset management, pre-retirement, distribution and wealth transfer.

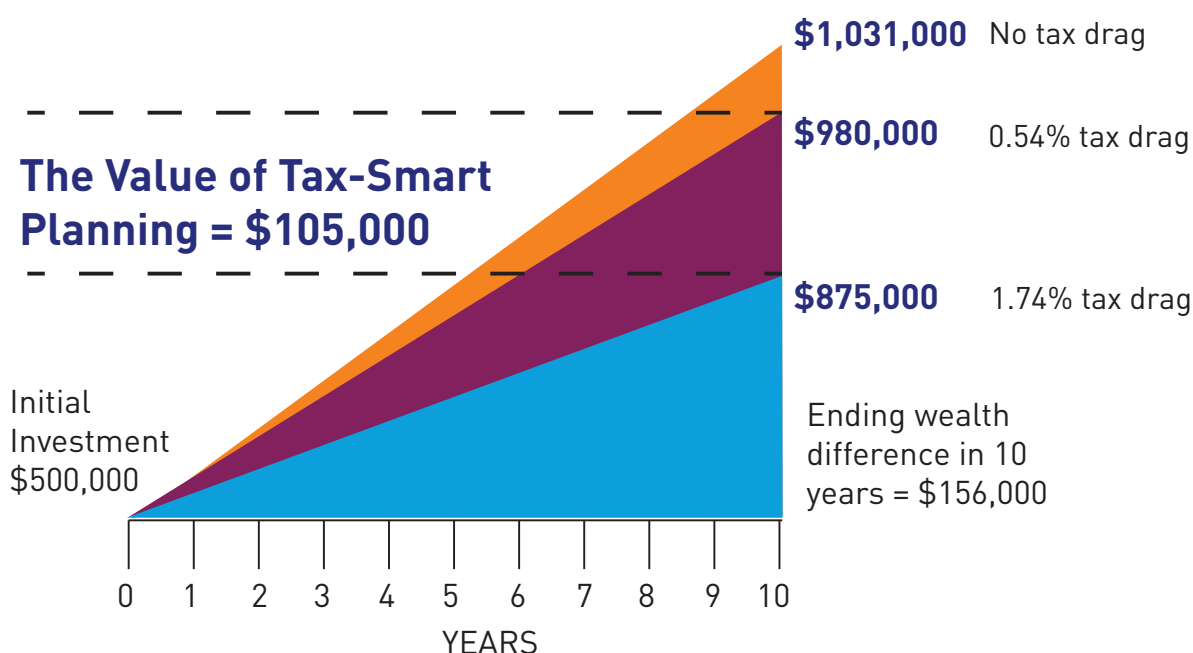
Not only can this additional layer of tax knowledge help identify opportunities to reduce taxes, but the compound effect of the money saved and reinvested can have a significant impact on your clients' financial health.

By applying the lens of taxes to planning and making tax-centric decisions when it comes to planning it has been estimated that the average investor would realize an incremental 1.2%² annually. This additional return on their investments is often called Tax Alpha.

How Can Taxes Impact Your Clients' Financial Picture?

Taxes can erode the net result of your clients' hard work. That's why truly financial comprehensive advice includes focusing on after-tax results — not just portfolio performance. As you can see, over a 10-year period, that value could make a significant difference in their overall worth.

Hypothetical 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' 2021 Value of an Advisor Study. To get the full study, go to <https://russellinvestments.com/us/resources/financial-professionals/value-of-advisor>.

Tax-focused Approach

Ultimately, every financial decision is also a tax decision, so by layering tax-advantaged strategies into almost every aspect of a comprehensive plan, you are better prepared to help clients reach their short and long-term goals. A comprehensive approach across all phases of your client's life should be considered for their greatest advantage.

The **Tax-Smart Planning Concepts** below make up the seven critical areas of financial planning at Avantax. Each offering is a core component of a comprehensive plan. Embracing these concepts, your clients systematically address seven major planning topics to implement comprehensive tax-smart financial solutions and potential opportunities to reduce liabilities.



Tax-focused Investment Strategies

Let's zero in on one of the core concepts, tax-focused investment strategies. Navigating the markets requires having an investment portfolio that reflects your clients' risk tolerance, time horizon and liquidity needs - considering tax implications is that additional step to help ensure the returns your clients earn are not eroded by taxes.

A carefully honed selection of investment strategies that account for where to invest, what to invest in, how to invest tax efficiently and when to withdraw income to help maximize spending power is fundamental to potentially maximize your clients' net results:

- **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-Smart Planning Concepts

It takes more than implementing one of these concepts to increase your clients' tax alpha. Your approach must be comprehensive and requires action towards all aspects of tax-smart planning – EVERY client will need to confront these topics at some point in their financial lives. The differentiating factor is prioritizing the appropriate areas that allow your clients to manage the concepts best suited for their individual situation and goals. Taxes are inherently built into each of these concepts.



RETIREMENT PLANNING & WITHDRAWAL STRATEGIES

While retirement may start in the later stages of life, the dreams of retirement start much earlier. The sooner retirement needs are identified and addressed, the more likely your clients will realize those dreams. Planning for both the accumulation and withdrawal stages of retirement requires consistency, discipline and accounting for the tax implications of saving and spending in retirement.



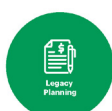
FAMILY RISK MANAGEMENT

Every financial plan has potential risks associated with it – risks that can become prevalent when life happens. It is important to mitigate those risks so the financial plan, and your client's family, does not suffer because of catastrophic life events.



BUSINESS PLANNING

Most businesses in the U.S. are not run by corporations, but rather families. Planning for contingencies in running a business allows for both employer and employee to succeed financially, especially during times when the focus is on the day-to-day operations as compared to the company vision. Contingencies include growth, business continuity, employee retention, and tax savings.



LEGACY PLANNING

How does your client want to be remembered? Legacy planning comes down to being able to ensure wishes, values and priorities are upheld throughout your client's life. Whether it is through education, charitable giving or trust planning, building a legacy can ensure the next generation(s) of family are supported.



EDUCATION PLANNING

Despite increasing tuition costs and debate around 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. It is important to discuss the educational options 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? Having a plan where your client's savings and spending choices reflect their values and priorities can positively affect their financial plan. A clear picture of monthly inflows and outflows can lead to informed decisions on other aspects of planning for them and their family.



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 \$200,000³.

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 planning⁴.

How do you assure your clients can follow a tax-focused plan — it's all about the process.

When an easily repeatable process is put into place, at any stage within the lifecycle, your clients benefit from the following to keep them on track:


- 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-smart collateral, technology and expertise.

Tax-Smart Investing Solutions

As you develop your tax-smart 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 very time-consuming. To help remove these roadblocks to

8 out of 10

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



success, Avantax introduced the Tax-Smart Investing® platform (TSI). The TSI suite of solutions provide Avantax Financial Professionals scalability and efficiency in finding tax-saving opportunities for clients, allowing them to provide their tax-smart expertise more efficiently and deliver their unique value proposition 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, you must expand your planning approach to include tax-smart strategies and concepts so they are fully engrained in your client's financial lifecycle.

This may sound complex, and it can be a daunting task to start from zero. When you partner with Avantax, we make it easier. Our processes have been refined over decades into easily understandable, and more important, implementable actions. Our Investment Solutions Specialists and Advanced Case Design team help you to comprehensively serve your clients and instate these strategies to fit your individual client needs.

About Avantax

Since our inception in 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 are a pioneer of tax-focused investing 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 business and focus on their client's financial journey, incorporating comprehensive financial planning through a tax-focused lens.

We pioneered tax-smart investing over 30 years ago and we've developed a comprehensive technology platform designed by tax professionals and tax-savvy financial advisors to identify powerful solutions for almost every situation. Avantax offers you an industry leading, proprietary Tax-Smart InvestingSM (TSI) Platform. You have the power to serve your clients with some of the best wealth management software providers in the industry, including eMoney, MoneyGuidePro®, WealthscapeSM and EnvestnetTM. We provide training for your entire staff – not just one point-person – to help you best utilize the technology, make your firm more efficient, and ensure your clients are on the road to 1.2%.

Are you ready to take your clients' piece of that \$600 billion in tax alpha off the table? Contact Avantax to find out more about instituting these tax-focused investment strategies and technology into your plans and help your clients keep more of their money.



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www.avantax.com

SOURCES:

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

²Russell Investments' 2021 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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