

Value Added Partners

Helping clients since 1981

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The IRS and You

It is hard to find fault with the performance of financial assets over the past few years. As a reminder, the Barclay's Aggregate Bond Index was up 5% in 2023, 1.3% last year, and made just over 4% in the first six months of 2025. The stock market's gains have been even more impressive. For 2023, the Standard & Poor's 500 Index gained over 26%. Last year, that index made over 25%, and it was up over 6% at the end of June.¹

However, getting better returns has often meant paying more in federal and/or state income tax. The past few years have seen us trim profitable positions in order to help maintain portfolio balance, while we have had relatively few losing positions to offset those gains. While this may be a 'high class' problem, it can be a problem nonetheless. We are seeing record amounts of client withdrawals for estimated tax payments.

While we do not give tax advice, we do undertake strategies to try to keep your tax bills for your portfolios as low as we can. These strategies can fall into two categories: portfolio management and philanthropy.

With respect to executing trades to help reduce the amount of realized capital gains, we seek to aggressively book losses on any losing positions. Either we sell that position and buy something else, or we replace the investment with an index fund that is similar and buy back the original vehicle after waiting the period prescribed by the tax code. As noted above, the good market conditions have limited how often we can execute this kind of strategy, but, for example, we swung into action in early April when the concern about tariffs was at its height.

We also have been employing managers who combine the tracking of a certain stock index with the active harvesting of losses. If you think about it, on any given day some of the 500 companies that make up the S&P 500 Index are down. Astute managers can harvest those losses aggressively. The aim is to get roughly the same return as the index while creating a net loss that can be used to offset gains in other portfolios.

Philanthropy is another avenue for tax management. If you are inclined to support a not-for-profit, there are ways to do so other than by writing a check:

- It can be much more beneficial to donate shares of an investment on which you have a gain directly to an organization.
- It may be beneficial to fund an entity called a Donor Advised Fund with appreciated stock in order to support several nonprofits.
- Those who must take money out of their retirement accounts each year can give some or all of those withdrawals to charities.

All of these strategies have pros and cons and should be considered in consultation with your tax advisor, but we are happy to discuss the details with you whenever you would like. We can also educate you about the portfolio strategies. While paying taxes on gains and on income is inevitable, we would be happy to make it a bit less onerous.

Milestones

With a roster of thirteen people, our team almost always has something to brag about. However, the past few months have seen more than their fair share of noteworthy events:

Corey Vita has obtained his CFP® certification, joining Harry Elish, Kevin O’Leary, Nick Landy and Ryan Karl who are also CFP® professionals. Corey studied for over a year, completing a curriculum of challenging coursework that involves tax, investment, insurance, trust and estate planning strategies and preparing for the difficult final exam which he passed on his first attempt.

It is a good thing that Nick Landy already passed the exam because on May 25th his wife Michelle gave birth to their daughter, Shae. He has since proven adept at juggling his day job and a new slate of family responsibilities, while sleeping less than fifty percent as much as he did a couple of months ago.

The end of June saw Natalie Jacobs marry Tyler Soltes. For those who have relied on Nat’s efficiency at work, it will come as no surprise that the ceremony and reception went off without a hitch and that it was an incredibly joyous event.

Finally, we just welcomed Arielle Rokhsar and Mary Scott Brisson to Value Added Partners. Both just received their bachelor degrees: Arielle from Wisconsin and Mary Scott from the University of North Carolina. They are off to a very good start getting acclimated to life on Wall Street.

Please feel free to congratulate **Corey, Nick, Nat, Arielle or Mary Scott** if you have the occasion to speak with them.

¹Source: Bloomberg; 7/14/25

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