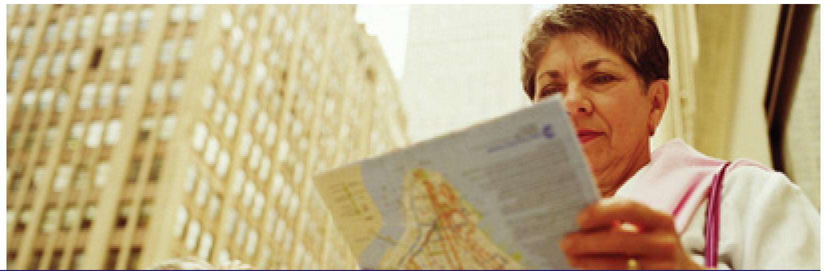

THE WHITE PAPER

Your Retirement Planning Newsletter

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Tori Patrick
President
Progressive Strategies Financial Group
27201 Puerta Real Suite 300
Mission Viejo, CA 92691
949.204.3800 702.893.1500
Fax: 702.549.1900
Tori@psfgwealth.com
www.psfgwealth.com
CA Insurance Lic#

Beyond 401(k)s and IRAs: Think Tax-Efficiency in All Your Investment Choices

Obtaining a high rate of return is what drives most investors, but managing investment-related tax obligations should be an equally compelling investment priority -- especially for individuals in the highest income brackets. If you are interested in taking a more proactive approach to managing your tax burden, consider creating an investment plan that fully utilizes a range of tax-efficient strategies.

The Tax-Exempt Advantage

They may lack the flash and dazzle of stocks, but municipal bonds, or "munis," have long been appreciated by high-net-worth investors seeking a haven from taxes and stock market volatility.[1] Interest earned on municipal bonds is typically exempt from federal income taxes and may be exempt from state and local income taxes as well.[2]

Tax-Efficient Mutual Funds[3]

Some mutual funds are managed in ways that help reduce the tax impact on shareholders. These funds accomplish their goal by relying on a combination of tactics, such as minimizing portfolio turnover (the buying and selling of securities held within the fund), selling stocks at a loss to counterbalance gains elsewhere in the portfolio, and buying only those stocks that generate few dividends. Likewise, index funds often are considered to be more tax efficient than equity funds that adhere to a more active management style. Through their strategic mandate of buying and holding the securities held in a specific market benchmark, such as the S&P 500, index funds typically have low portfolio turnover rates.[4]

Shifting Income to Minors

Gifting assets to children via a Uniform Gifts to Minors Act (UGMA) account or a Uniform Transfers to Minors Act (UTMA) account can help reduce your overall income tax exposure. Although tax laws governing these accounts differ by state, in general you can "gift" investments, cash, or other assets worth up to $14,000 -- or $28,000 for married couples -- to a child, grandchild, or other minor beneficiary in 2014 without incurring a federal gift tax.[5]

Current tax rules state that the first $1,000 of a child's investment income generally is tax-exempt, the next $1,000 of unearned income generally is taxed at the child's tax rate, and unearned income over $2,000 generally is taxed at the parent's tax rate if the child is under age 19 (or is a full-time student under age 24) at the end of the year.

Taxes and Foreign Investments

It is important to note that there may be special tax consequences associated with investing internationally.[6] For instance, mutual funds that hold stock in foreign companies have unique tax implications. Both global and international funds may be required to withhold taxes on income distributed to foreign shareholders. In these circumstances, U.S. investors may be entitled to a tax credit for foreign taxes withheld that can be used to offset their U.S. federal income tax obligations.

No matter what your age or investment objective, keeping the tax implications of your investment decisions in mind should be an integral part of your lifelong investment plan. Contact your financial professional before deciding on any tax-advantaged investment strategy.

This article offers only an outline; it is not a definitive guide to all possible consequences and implications of any specific tax strategy. For this reason, be sure to seek advice from knowledgeable tax and/or financial professionals.

[1]*Investing in stocks involves risks, including loss of principal. Municipal bonds are subject to availability and change in price. They are also subject to market and interest rate risk if sold prior to maturity. Bond values*

will decline as interest rates rise.

[2]*Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax free, but other state and local taxes may apply. Any capital gains are taxable for federal and, in some cases, state purposes.*

[3]*Investing in mutual funds involve risk, including loss of principal. Mutual funds are offered and sold by prospectus only. You should carefully consider the investment objectives, risks, expenses, and charges of the investment company before you invest. For more complete information about any mutual fund, including risks, charges, and expenses, please contact your financial professional to obtain a prospectus. The prospectus contains this and other information. Read it carefully before you invest.*

[4]Standard & Poor's Composite Index of 500 Stocks is an unmanaged index that is generally considered representative of the U.S. stock market. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

[5]These amounts are adjusted for inflation periodically in $1,000 increments.

[6]Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations, and may not be suitable for all investors.

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