



NAVIGATE THE COMPLEXITIES OF INVESTMENT TAXES

PRESENTED BY:

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Sr. Regional Director

Tuesday, March 18, 2025

DISCOVER THE
ACTIVE
TAX-MANAGED
ADVANTAGE

“The hardest thing to understand
in the world is income tax.”

— Albert Einstein

More fun than taxes

Total word count of well-known documents

ENTIRE
HARRY POTTER
BOOK SERIES =

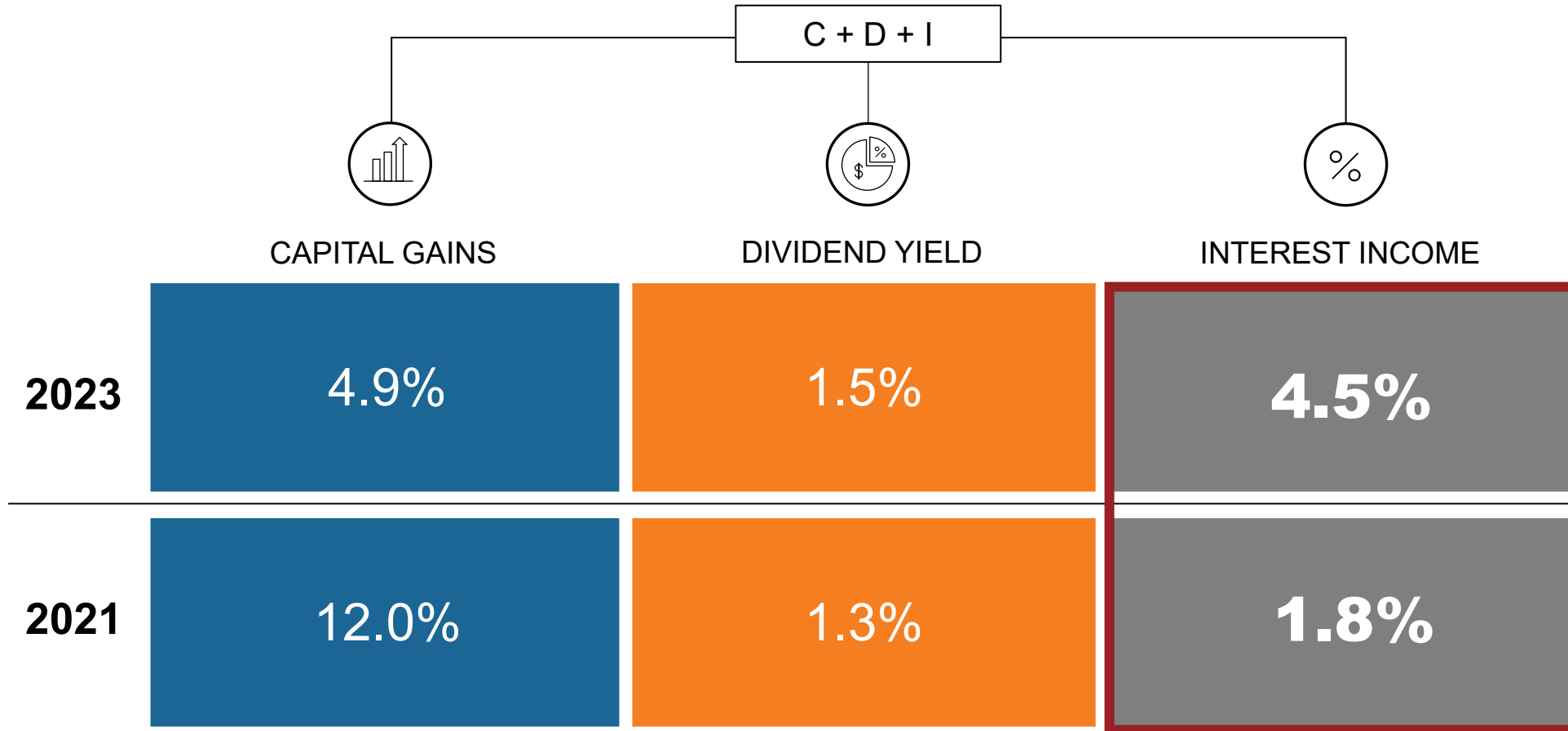
1,084,170

WORDS



C + D + I

Tax management is more than just capital gains

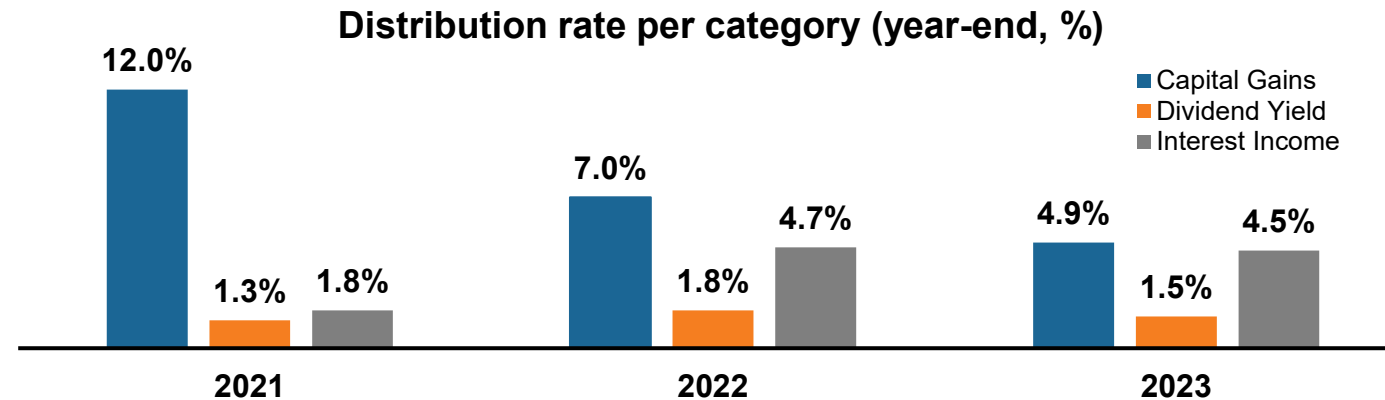


Source: Capital Gains (Russell Investments, Morningstar Direct and respective fund families), 2021 (12/31/2021), 2023 (12/31/2023). Categories based on Morningstar Category Group which includes mutual funds and ETFs (and multiple share classes). The average capital gain distribution % is calculated using the total estimated capital gain distribution and respective pre-distribution NAV as reported by each fund. % of NAV is calculated as (total estimated capital gain distributions ÷ respective pre distribution NAV). Dividends based on the dividend yield of the S&P 500 Index on 12/31/2020 for 2021 and 12/31/2023 for 2023. Interest based on the yield to worst for the Bloomberg U.S. Aggregate Bond Index on 12/31/2020 for 2021 and 12/31/2023 for 2023.

Consider your whole portfolio when thinking about taxes

Tax impact comes from many places

Your tax bill may not come down as much as you would think



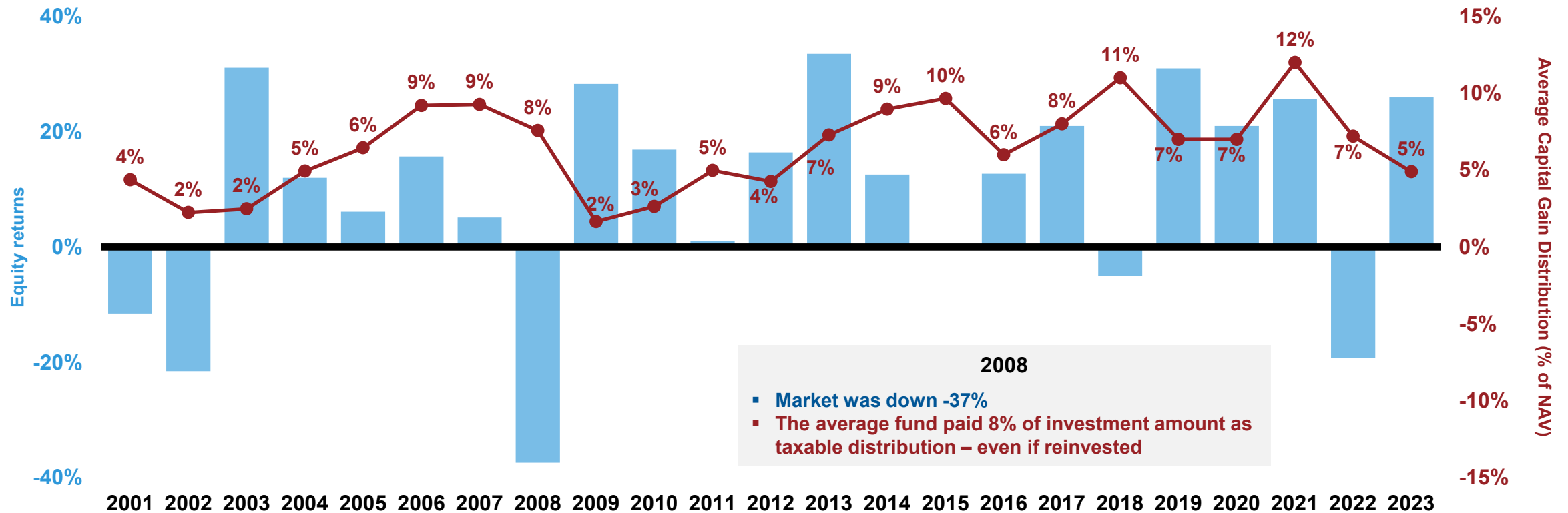
Source: Morningstar Direct, Refinitiv & Barclays. Capital Gains: U.S. Equity Average % = total cap gain distribution ÷ respective pre-distribution NAV. Dividend Yield: S&P 500 Index. Interest Income: Yield-to-worst on the Bloomberg U.S. Aggregate Bond Index. Capital Gains and dividends taxed at a rate of 23.8% (Max LT Cap Gain 20% + Net Investment Income 3.8%). Interest Income taxed at a rate of 40.8% (Max Federal Income Rate 37% + Net Investment Income 3.8%). Diversified Portfolio: 50% equity, 50% bonds. Distribution amount applies 50% of each distribution rate to the total portfolio value of \$1 million.

\$1 Million diversified portfolio (50% stocks / 50% bonds)				
Source	Tax Rate	Federal Income Tax Owed		
		2021	2022	2023
Capital Gains (stocks)	23.8%	\$14,280	\$8,330	\$5,831
Dividend Yield (stocks)	23.8%	\$1,535	\$2,083	\$1,749
Interest Income (bonds)	40.8%	\$3,578	\$9,549	\$9,241
TOTAL	-	\$19,393	\$19,962	\$16,822

2023 capital gains distributions in context

Annual returns and taxable distributions

U.S. equity market returns & average capital gain distributions
2001-2023



Source: Morningstar Direct. U.S. Stocks: Russell 3000® Index. U.S. equity funds: Morningstar broad category 'U.S. Equity' which includes mutual funds and ETFs (and multiple share classes). For years 2001 through 2020 % = calendar year cap gain distribution + year-end NAV, 2021 through 2023 % = total cap gain distribution + respective pre-distribution NAV. For years 2001 through 2013, used oldest share class. 2014 forward includes all share classes. Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

AGENDA

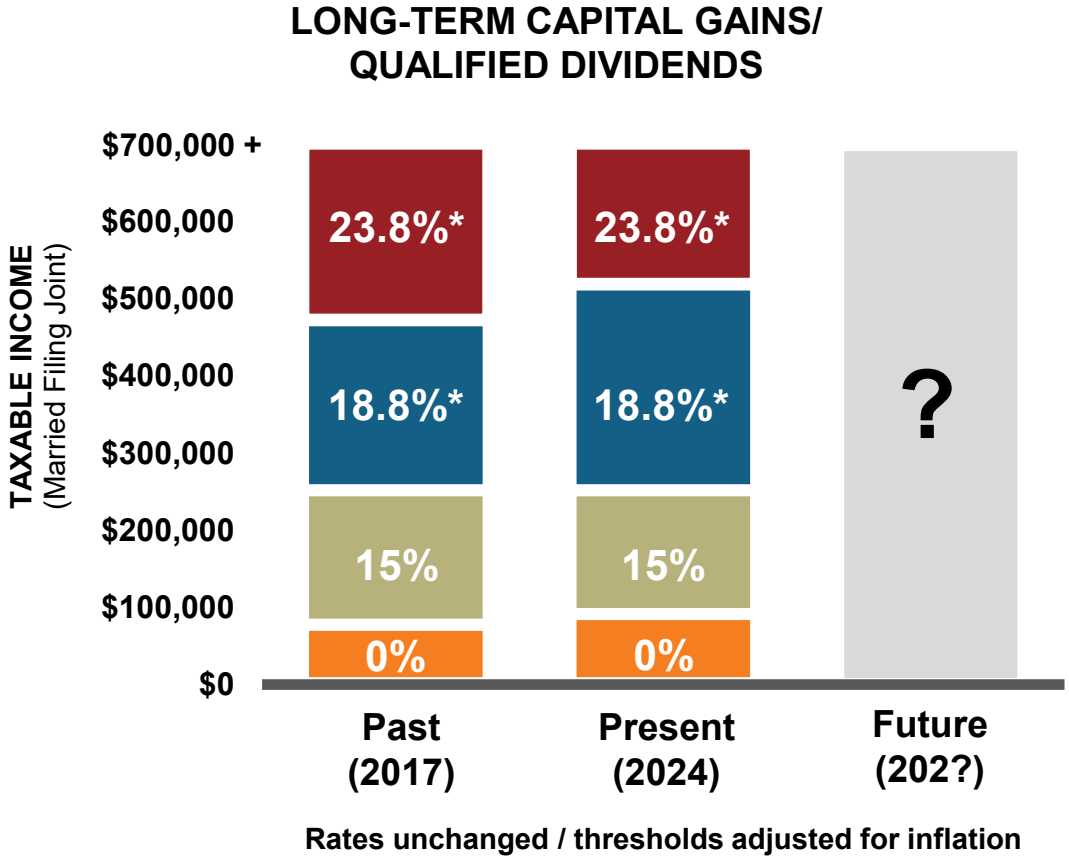
1. Taxes: Tax code and impact on investment returns
2. Tax-managed investing: Introduction to after-tax wealth
3. The opportunity:
Improving after-tax wealth

TAXES:

TAX CODE AND IMPACT ON INVESTMENT RETURNS

Possible tax changes in the news

Rates for Long-Term Capital Gains (LTCG) and Qualified Dividends not lowered in 2018



- The “**standard deduction**” goes back to 2017 levels; approximately half of what it is today
- **Estate tax exemption:** currently \$12.9m; after 2025 \$5.49 (adjusted for inflation)
- The **income tax rate table** goes back to 2017 brackets

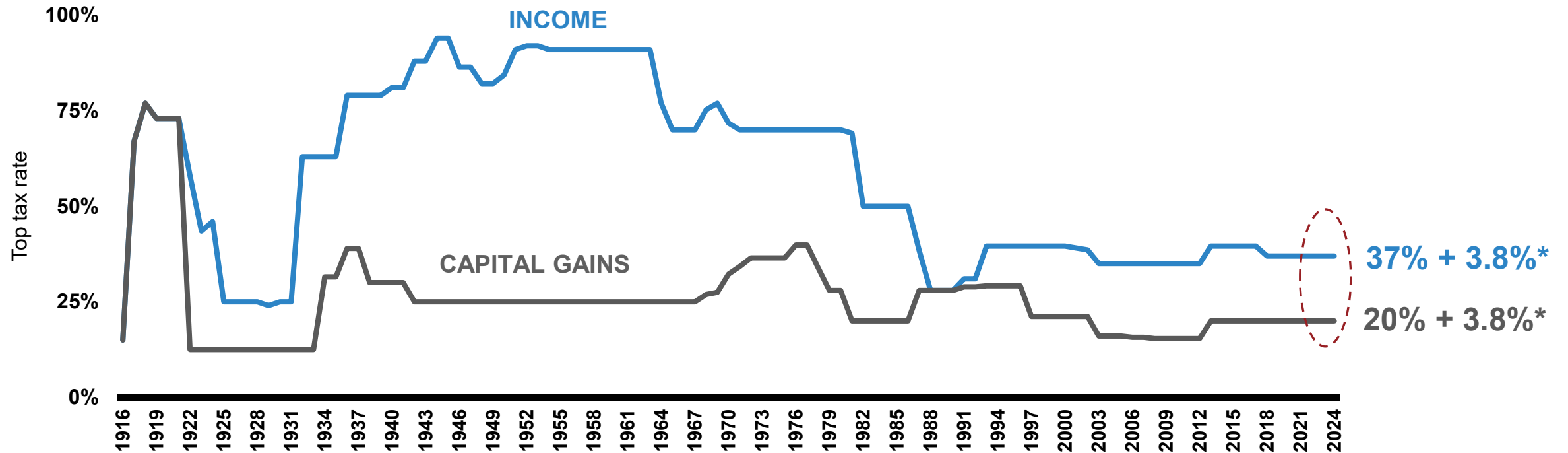
*3.8% Net Investment Income Tax applies to Modified Adjusted Gross Income over \$250,000 for filing status MFJ
Source: Internal Revenue Service

“Let me tell you how it will be
There’s one for you nineteen for me.”

— Taxman by The Beatles

Tax rates for income and capital gains

1916-2024



Yes, tax rates have changed.

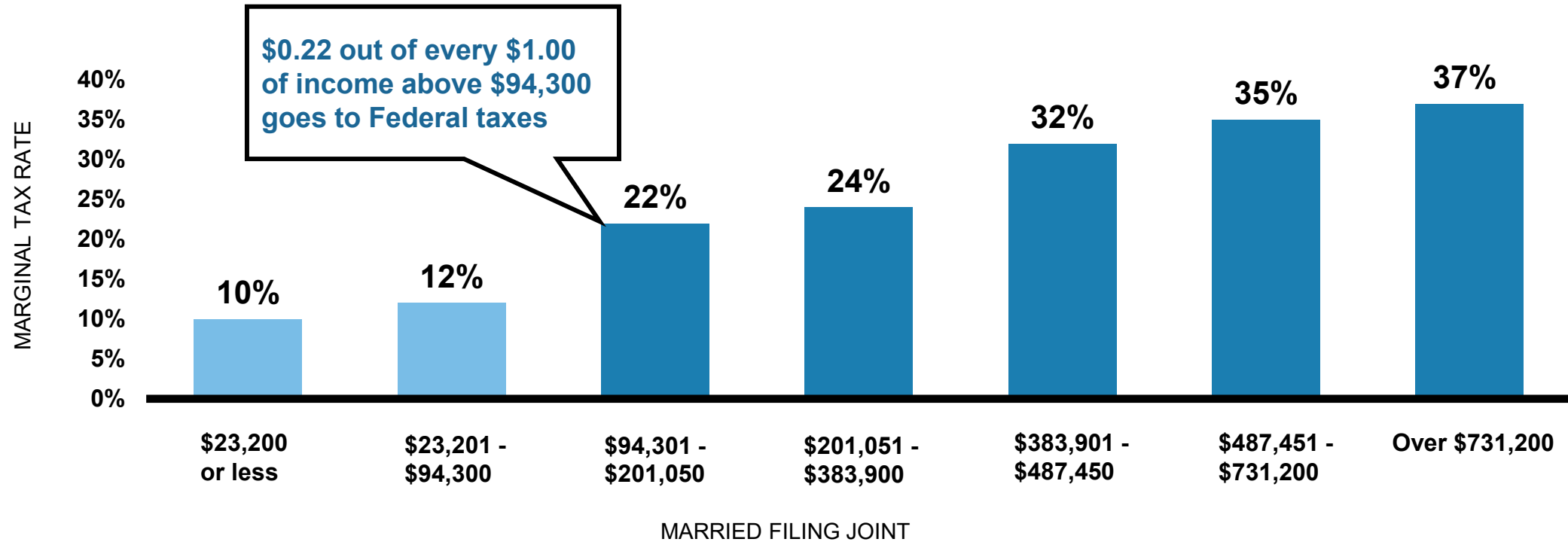
Make the tax conversation productive and focus on what you can control: **How you invest.**

Source: <http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=543>

*3.8% represents Net Investment Income Tax

Who feels the pinch of taxes?

2024 marginal taxable income rates

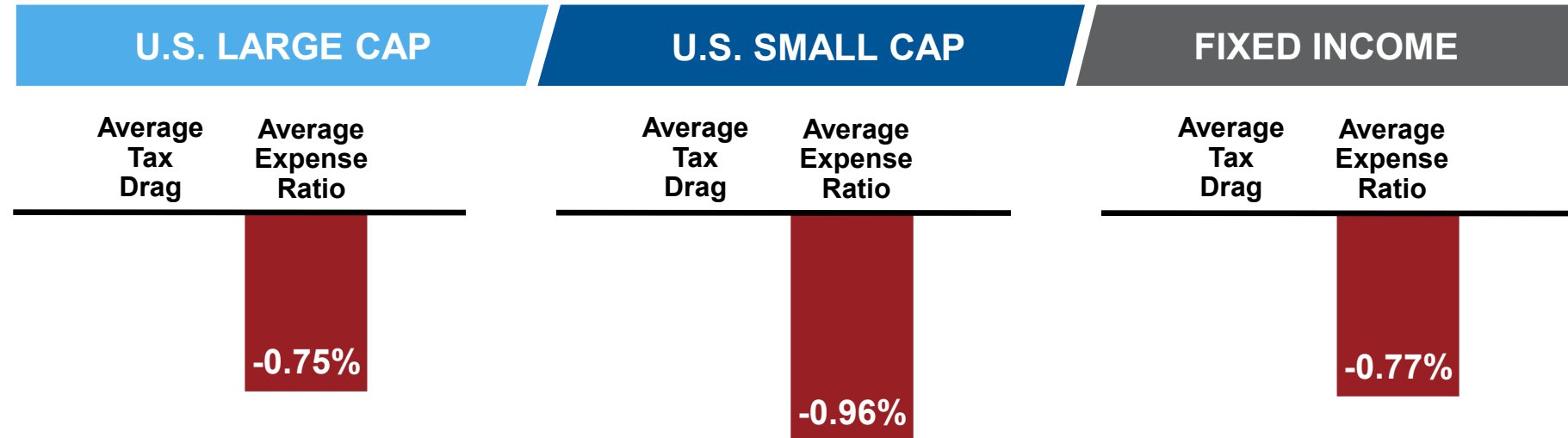


You don't need to be in the top bracket to benefit from tax-managed investing.

Source: Internal Revenue Service

Taxable investors often focus on the wrong fee

Expense ratio is commonly investors main concern



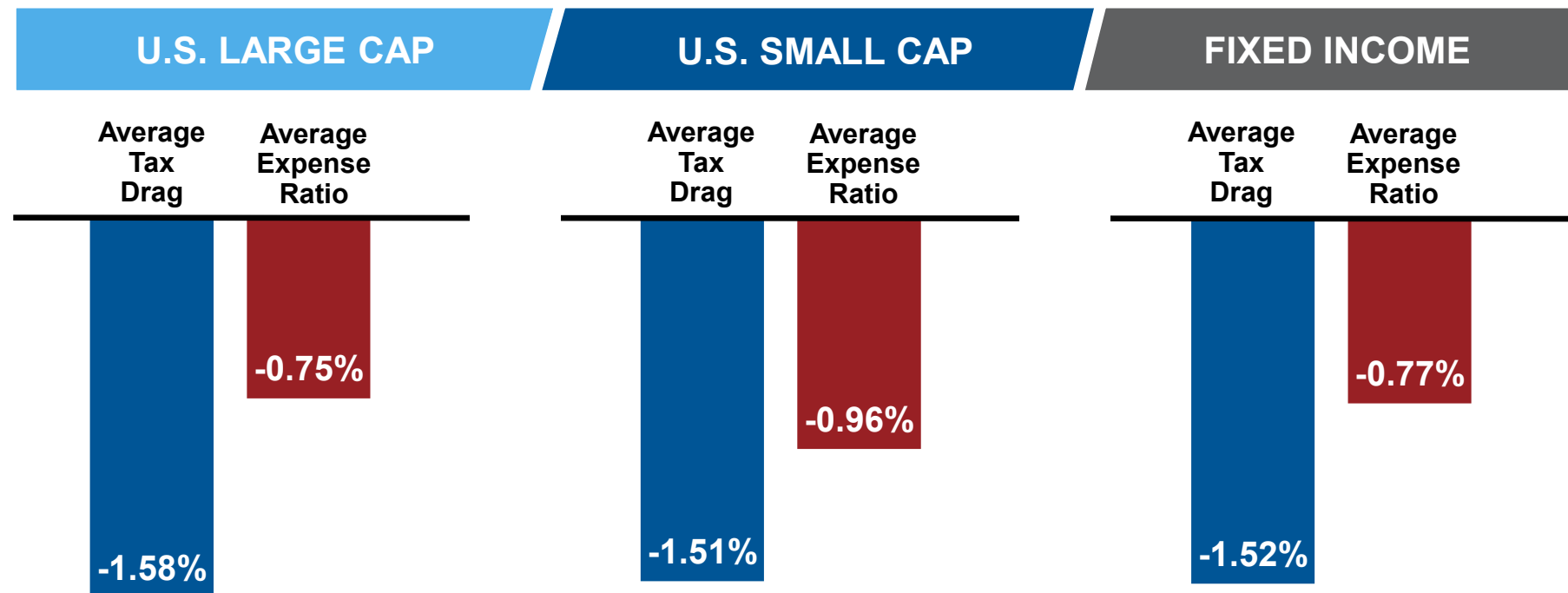
For five years ending September 30, 2024.

Source: Morningstar. U.S. Large Cap: Morningstar U.S. Large Blend Universes average, U.S. Small Cap: Morningstar U.S. Small Blend Universes average, Fixed Income: Morningstar Taxable Bond Universes average. Tax Drag: Morningstar Tax Cost Ratio See appendix for methodology.

Morningstar's tax cost ratio assumes the highest possible applicable tax rates, including the 3.8% net investment income tax. Many investors are not subject to the highest rates. Note that tax drag calculations only apply to taxable accounts.

Taxable investors often focus on the wrong fee

Expense ratio is commonly investors main concern

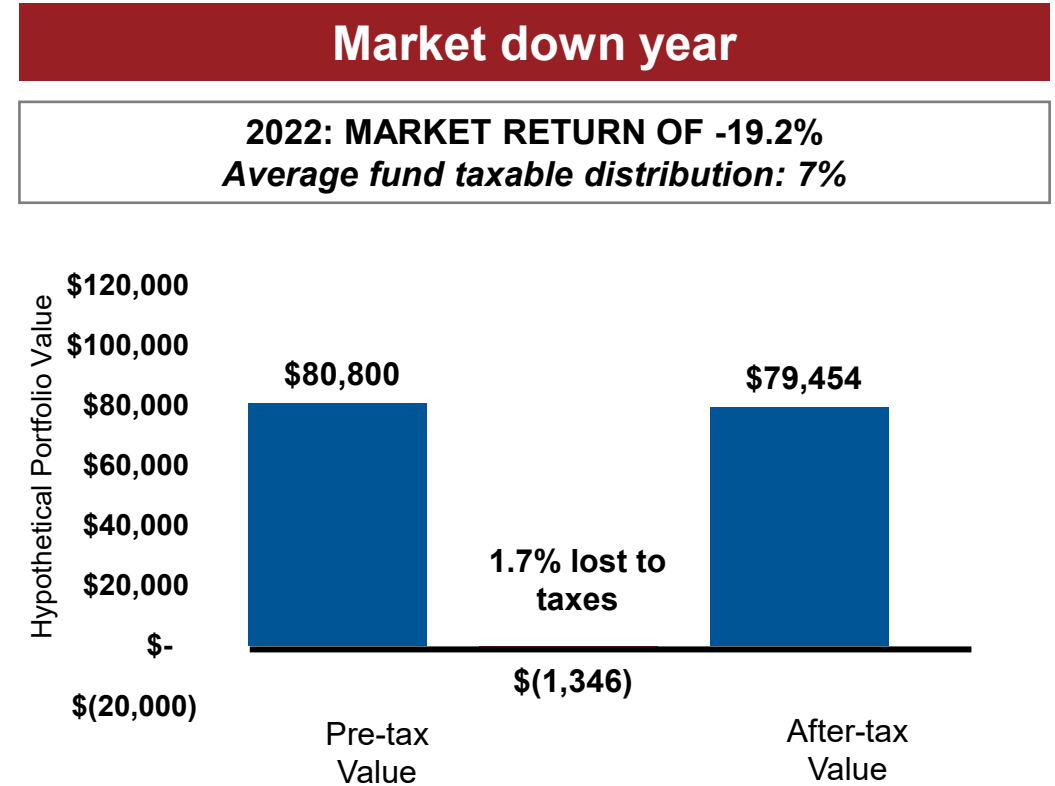
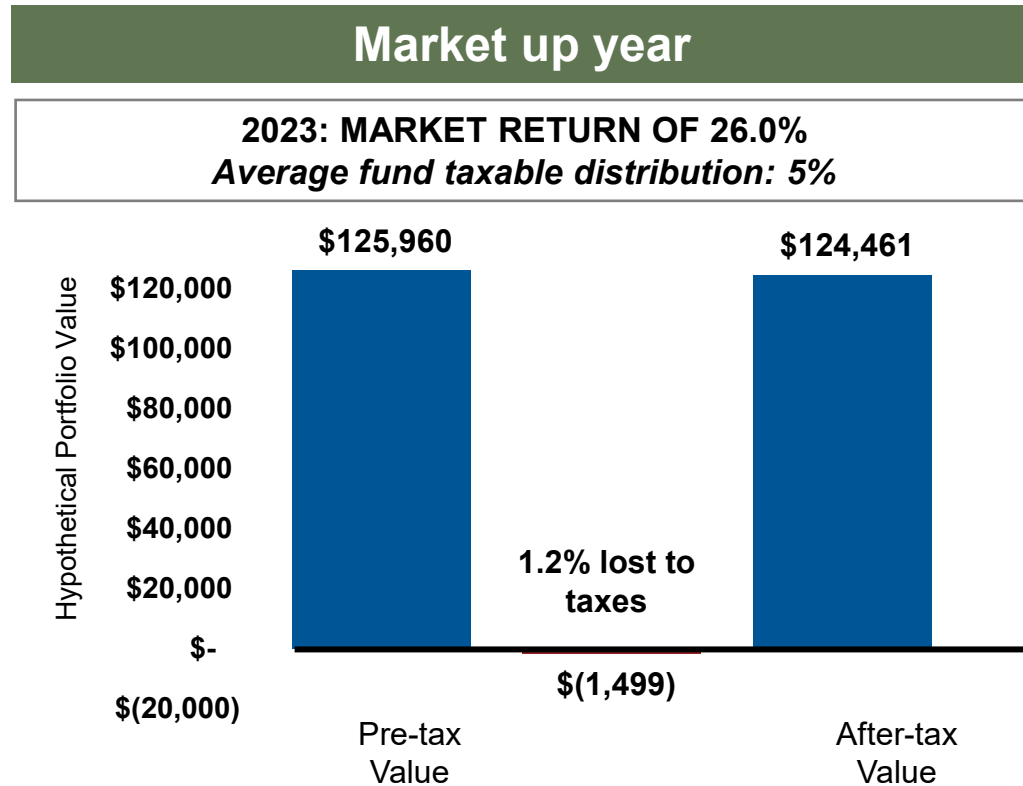


Tax impact is often larger than expense ratio

For five years ending September 30, 2024.
Source: Morningstar. U.S. Large Cap: Morningstar U.S. Large Blend Universes average, U.S. Small Cap: Morningstar U.S. Small Blend Universes average, Fixed Income: Morningstar Taxable Bond Universes average. Tax Drag: Morningstar Tax Cost Ratio See appendix for methodology.
Morningstar's tax cost ratio assumes the highest possible applicable tax rates, including the 3.8% net investment income tax. Many investors are not subject to the highest rates. Note that tax drag calculations only apply to taxable accounts.

Up or down year / taxes are a drag

Impact on hypothetical \$100,000 investment



As of 12/31/2023.

Calculation methodology: Assumed starting hypothetical portfolio value of \$100,000. U.S. equity market return applied to starting value to arrive at ending pre-tax value. Percent lost to taxes is the estimated taxes due divided by \$100k. This amount is then subtracted from the ending pre-tax value shown to arrive at final after-tax value.

Sources: U.S. equity market return: Russell 3000® Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

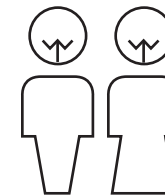
Average U.S. Equity Fund Distribution: Capital Gains/Share (% of NAV) based on Morningstar U.S. OE Mutual Funds and ETFs. % = Calendar Year Cap Gain Distributions / Year-End NAV. Distribution is assumed to be made at last day of year and reinvested. Tax rate is 23.8% (Max LT Cap Gain 20% + Net Investment Income 3.8%).

The power of taxes

How much are yearly taxes costing your clients?



**Average Joe & Joan
Traditional Taxpayer**



**Uncle Sam & Aunt Betsy
Tax-Aware Taxpayer**

Year End Balance	\$500,000	\$500,000
Capital Gains Distribution	4.9%**	0.0%
1099	\$24,500	\$0
Assumed Tax Rate*	23.8%	23.8%
Tax Due	\$5,831	\$0

**A weight lifted.
It's not only about December 31st. April 15th is key.**

A Hypothetical Illustration

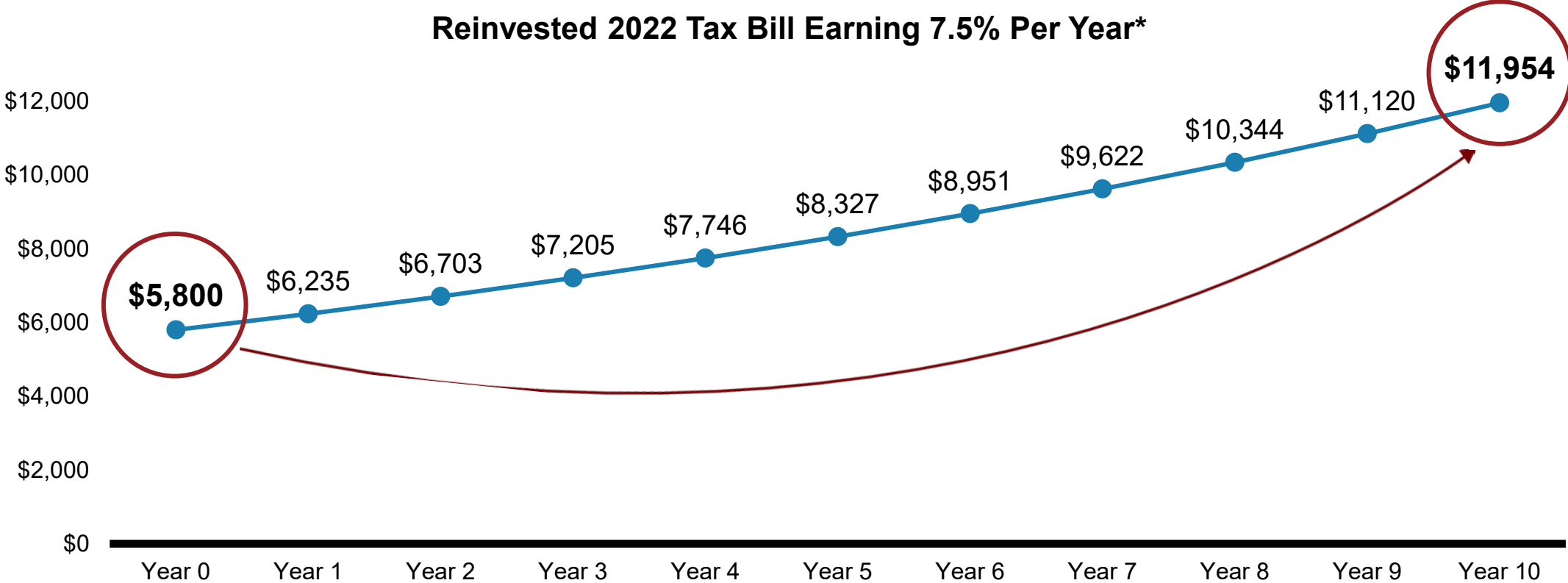
*Represent maximum long-term capital gain tax rate of 20% for Married Filing Jointly and 3.8% Net Investment Income Tax.

**5%: Represents 2023 average capital gain distribution % of Morningstar broad category 'US Equity' which includes mutual funds and ETFs.

Hypothetical long-term impact on paying tax bill

Taxes impact portfolio values more than just the year they are paid

Reinvested 2022 Tax Bill Earning 7.5% Per Year*



Staying invested may allow for assets to continue to grow and compound within the portfolio over time

*Represents 2023 "Tax Due" column of Average Investor on previous slide. This is a hypothetical illustration and not meant to represent an actual investment strategy.

Potential tax impact on portfolio

A meaningful percent of total return lost to taxes

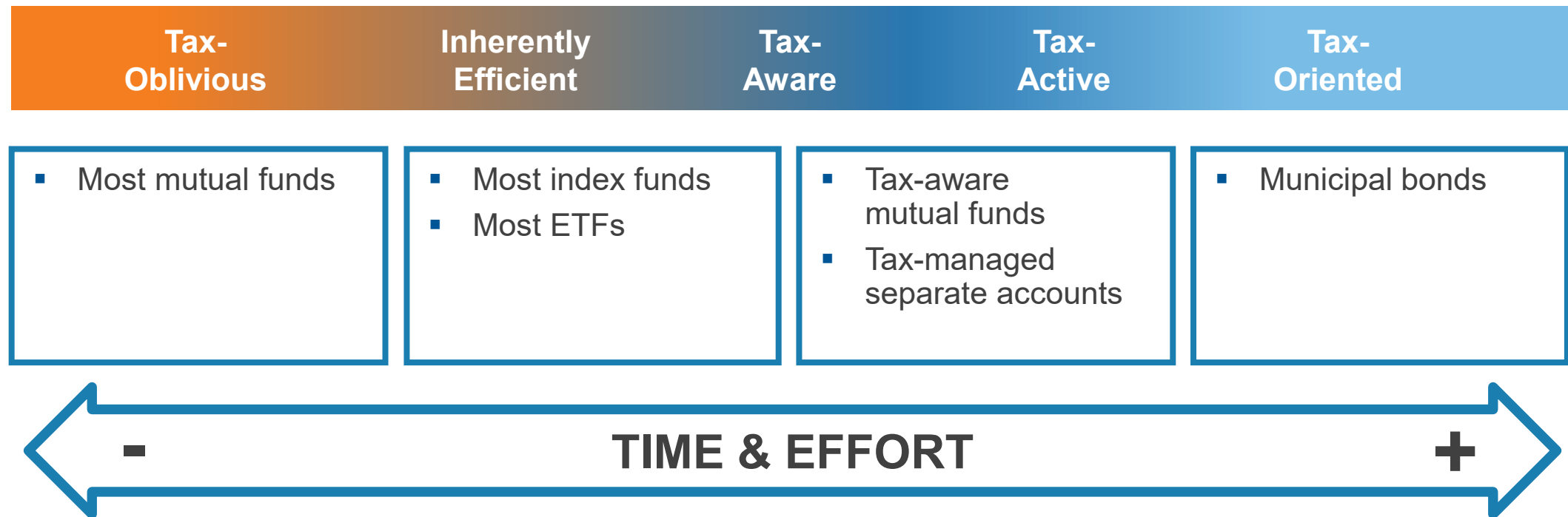
FUND CATEGORY Average annualized 5-years ending September 30, 2024	PRE-TAX RETURN %	TAX DRAG %	PRE-TAX RETURN – TAX DRAG	AMOUNTS LOST TO TAXES OVER 5 YEARS (\$500k investment)
U.S. Equity	12.3%	1.7%	10.6%	\$64,081
International Equity	7.9%	1.1%	6.8%	\$35,208
Fixed Income	1.9%	1.5%	0.3%	\$39,689
30% U.S. Equity / 20% International Equity / 50 % Fixed Income Portfolio	6.2%	1.5%	4.7%	\$46,055

**Investment surrenders \$46,055 to taxes over five years.
1.5% tax drag has the same impact as 1.5% fee.**

Source: Morningstar. U.S. Equity: Morningstar U.S. Equity Universes average, International Equity: Morningstar International Equity Universes average, Fixed Income: Morningstar Taxable Bond Universes average. Tax Drag: Morningstar Tax Cost Ratio. See appendix at end of presentation for methodology.

Not all tax efficiency is equal. How do you assess?

TAX EFFICIENCY



For illustrative purposes only. Not all products listed may achieve the tax efficiency displayed on the slide.

TAX-MANAGED INVESTING: INTRODUCTION TO AFTER-TAX WEALTH

Not all investment return is the same to Uncle Sam

Where your return comes from matters after-tax

BEST

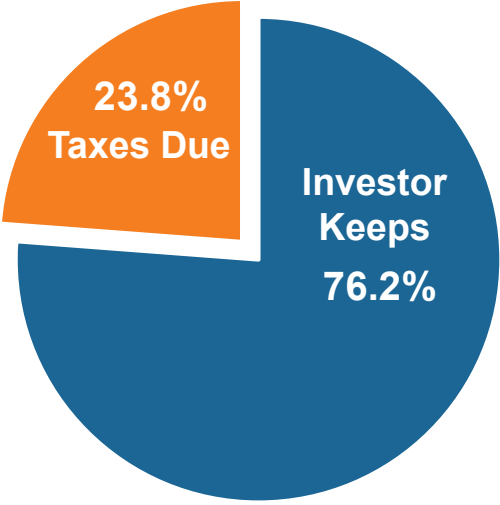
Top Tax Rate
0.0%



- Municipal bond interest**
- Unrealized capital appreciation

BETTER

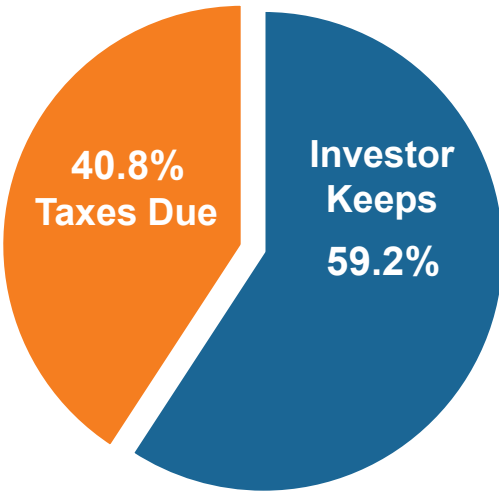
Top Tax Rate
23.8%*



- Qualified dividends
- Long-term capital gains

WORST

Top Tax Rate
40.8%*



- Non-qualified dividends
- Short-term capital gains
- Interest income

Applies to federal taxes only. Source: Internal Revenue Service. Tax rates as reported by Internal Revenue Service as of 2023.

*Assumes addition of 3.8% Net Investment Income Tax to tax rate

**Generally for municipal bonds, only interest from bonds issued within the state is exempt from that state's income taxes. Municipal bond interest income may impact taxation of Social Security benefits.

Total tax cost

Adding it all up



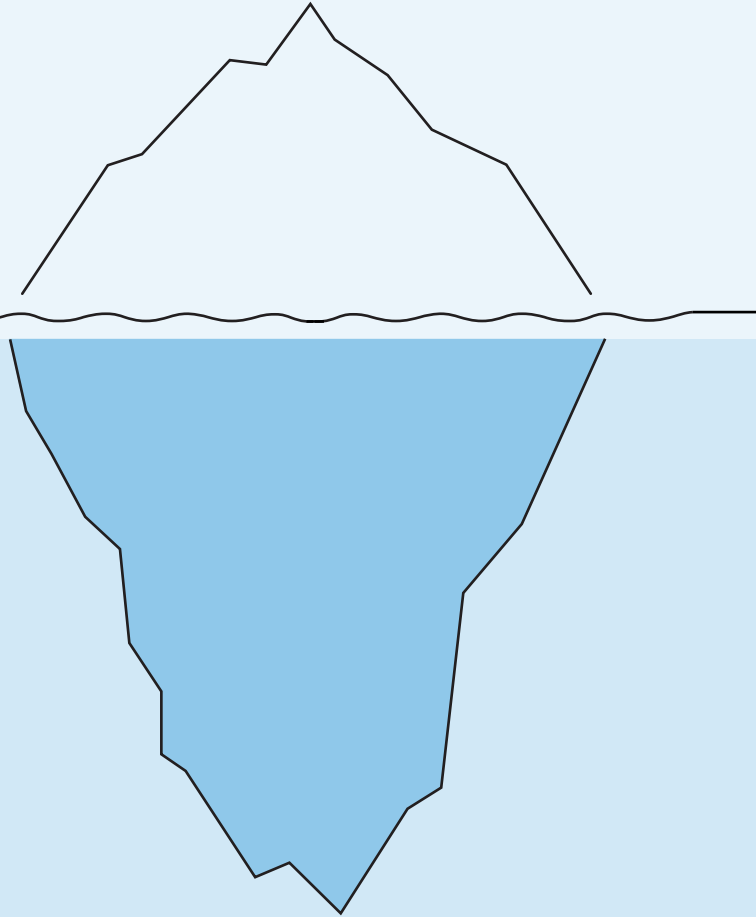
COMMON TAX COSTS

- Capital gain distributions
- Dividends
- Interest



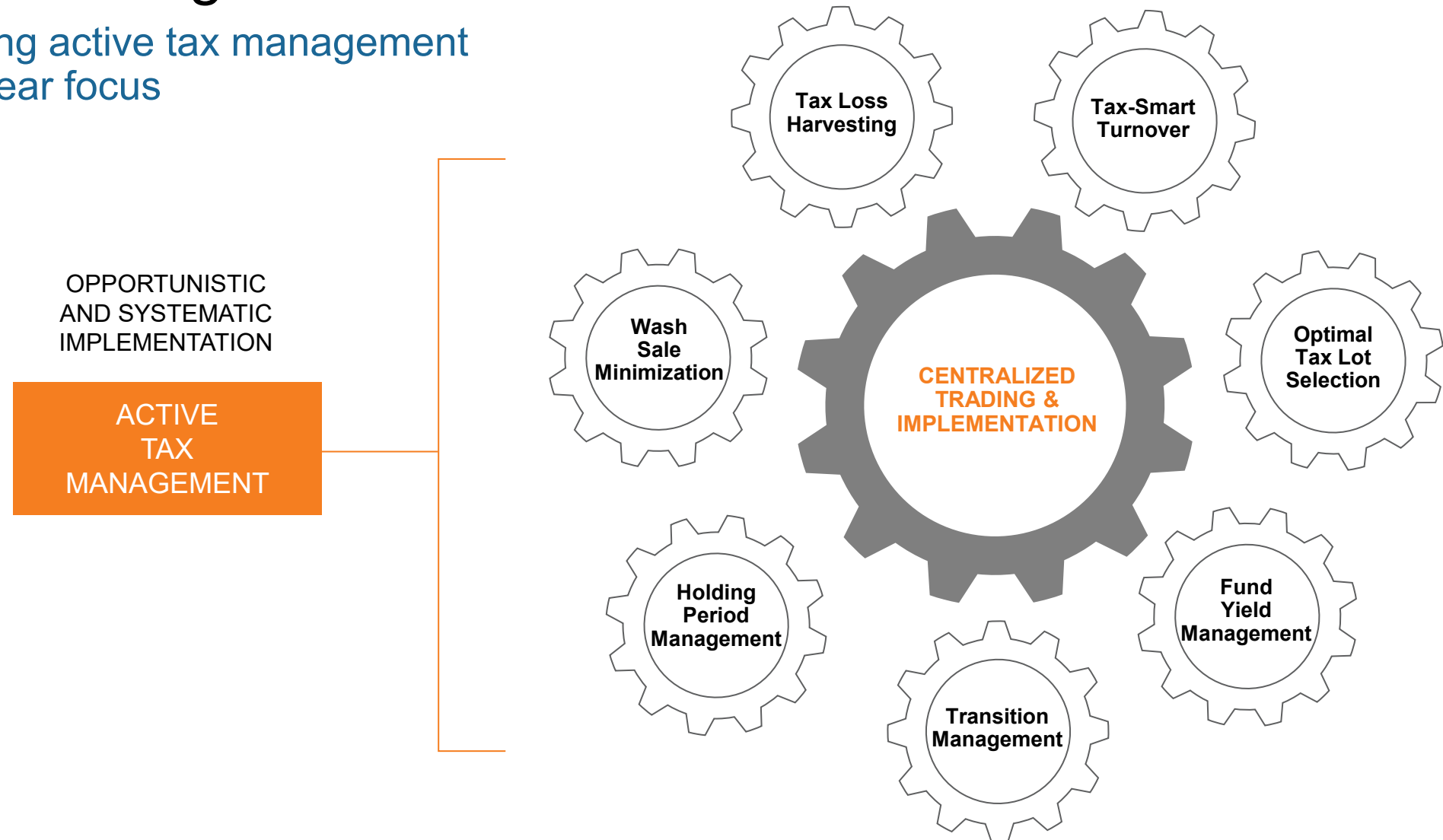
HIDDEN TAX COSTS

- Asset allocation change
- Fund/money manager changes
- Portfolio rebalancing
- Inefficient trading activities



Total tax management in action

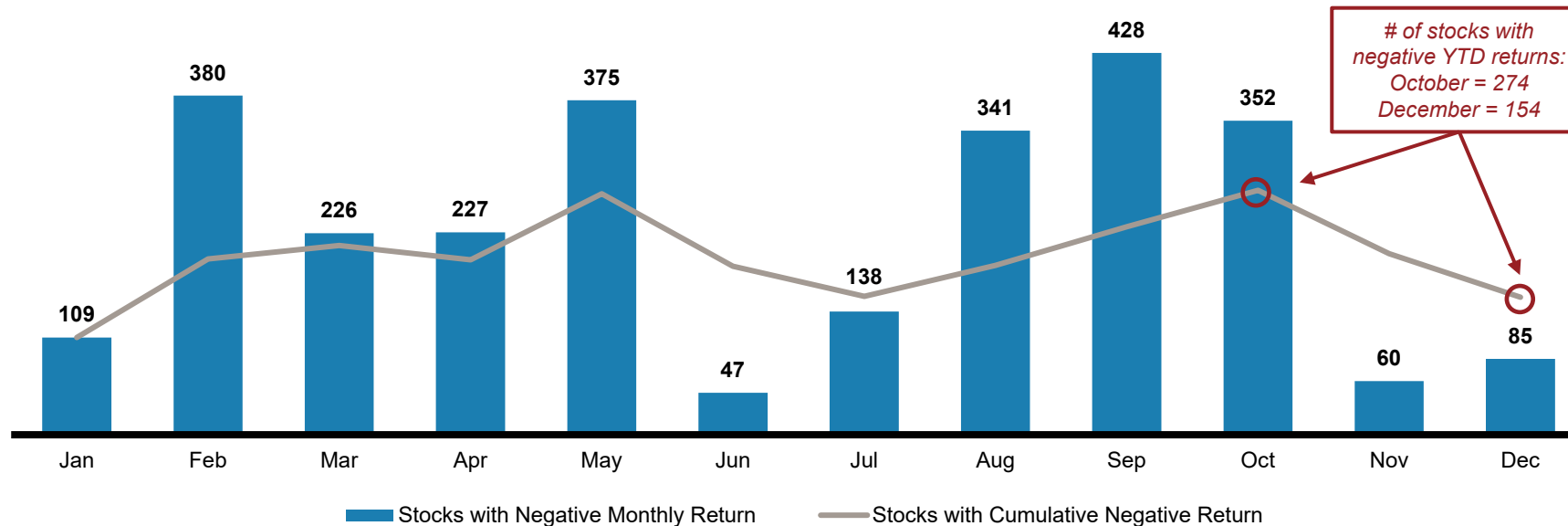
Implementing active tax management
with a full year focus



Tax loss harvesting opportunities year-round

Waiting to harvest losses at end of year could lead to missed opportunities

**S&P 500 constituents
monthly tax-loss harvesting opportunities**



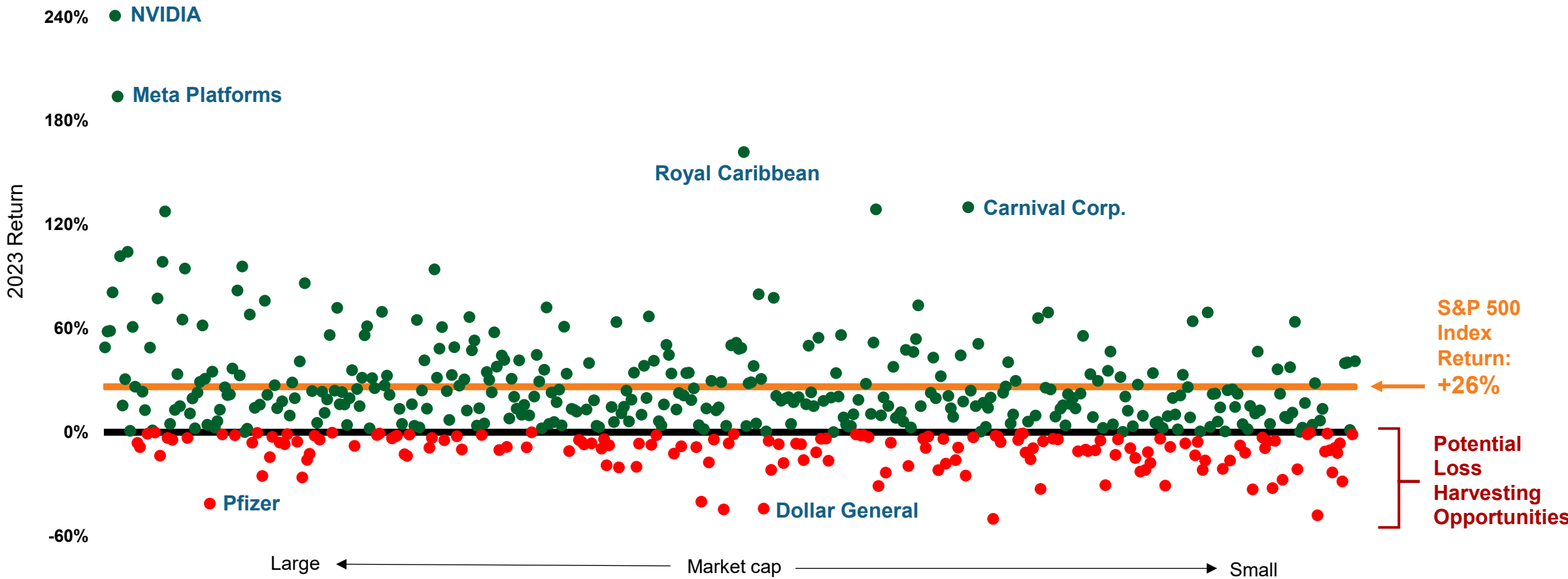
- In November and December only 60 and 85 stocks, respectively, had a negative monthly return. Missing out on the loss harvesting opportunities in the down months earlier in the year could be costly.
- The S&P 500 Index showed strong returns in 2023, with a 26.3% return despite more than 150 constituents posting a negative return for the year
- Even in periods of strong positive performance, tax-loss harvesting strategies can be executed

Source: Morningstar Direct. Stocks represent companies in the S&P 500 Index on 12/31/2023. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

Performance averages mask wide range of returns

Calendar year 2023

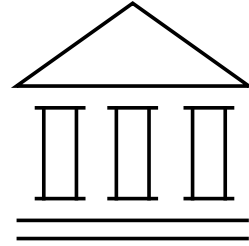
INDIVIDUAL U.S. STOCK RETURNS



Source: Russell Investments. Stocks represent companies in the S&P 500 Index on 12/31/2023. Past performance is not an indication of future opportunities/performance.

The case for municipal bonds

Can be beneficial for tax-sensitive investors



Interest income is generally tax free at federal level

Market segments include both General Obligation (GO) and Revenue Bonds

Opportunities to allocate across investment grade and high yield

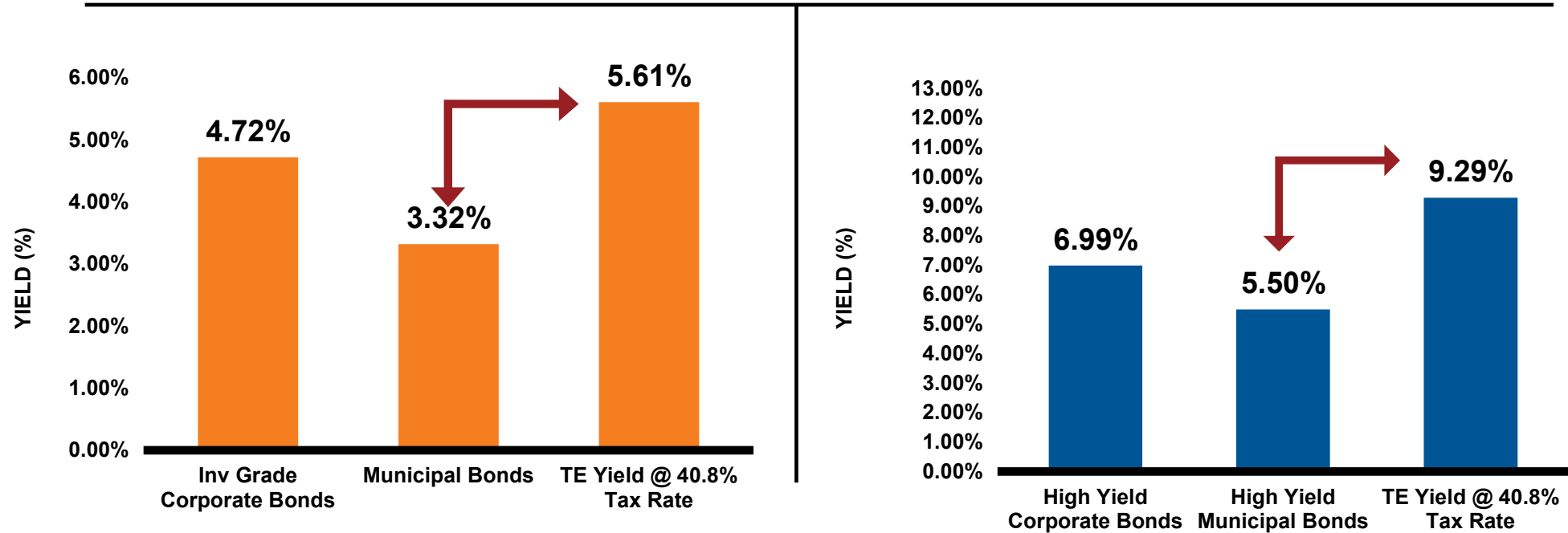
Typically offer compelling tax adjusted yields

Generally for municipal bonds, only interest from bonds issued within the state is exempt from that state's income taxes.

Understanding tax-equivalent yield

Historically, municipals have had significant tax-equivalent (TE) yields

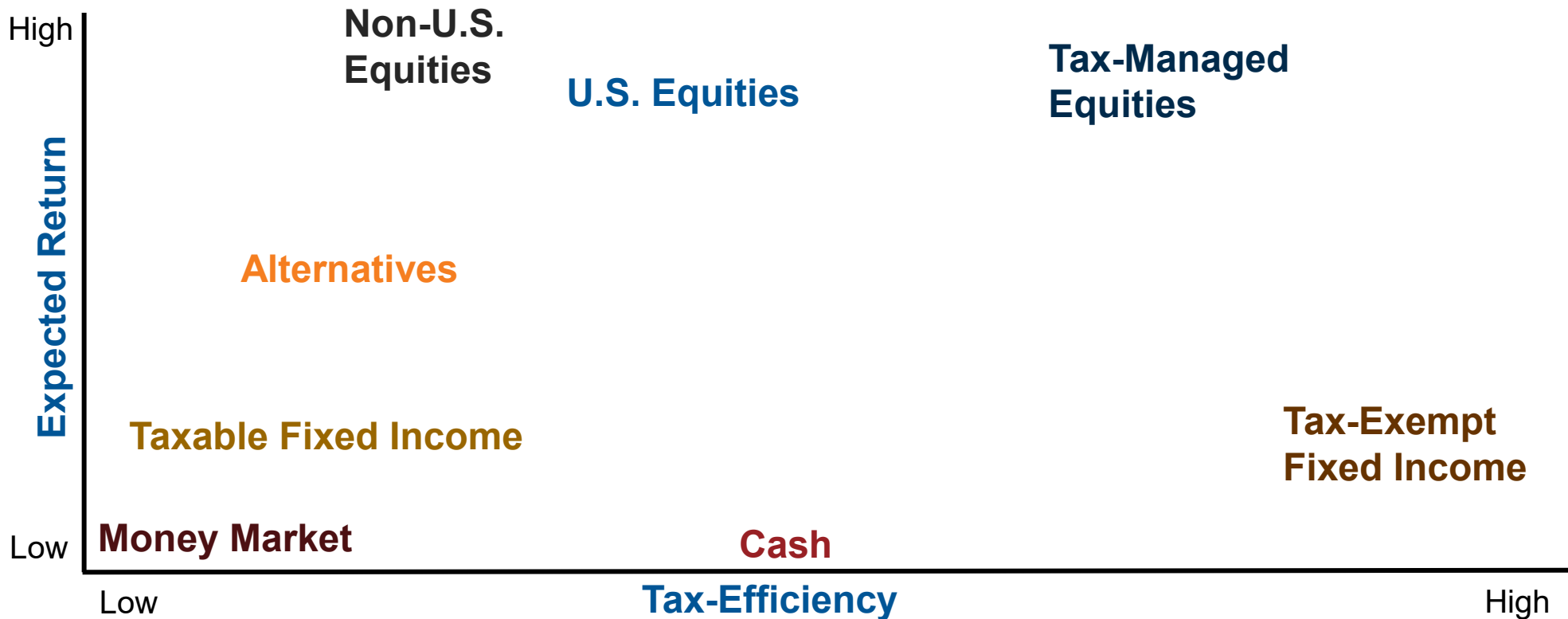
An investor in the top tax bracket would need to **earn a taxable yield of 5.61% to match the 3.32% yield** of municipal bonds



Source: Barclays Live. Data as of 09/30/2024. Yield quoted represents the Yield-to-Worst on the following Bloomberg indices: Inv Grade Corporate Bond = U.S. Corporate Investment Grade Index; Municipal Bonds = Municipal Bond Index; High Yield Corporate Bonds = U.S. Corporate High Yield Index; High Yield Municipal Bonds = High Yield Municipal Bond Index. Marginal Tax Rate used is 40.8% (37.0% + 3.8%). Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

The importance of asset location

Taxes impact each asset class differently



Taxable portfolios should be constructed to include tax-efficient asset classes

For illustrative purposes only.

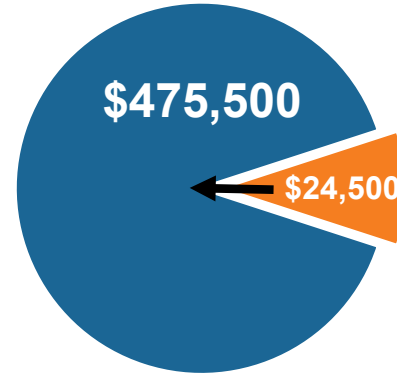
THE OPPORTUNITY: IMPROVING AFTER-TAX WEALTH

How distributions are taxed – even if you don't sell

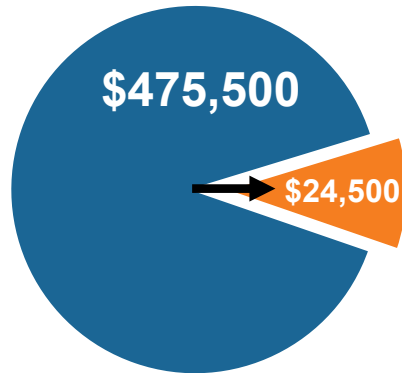
Connecting distributions to after-tax wealth



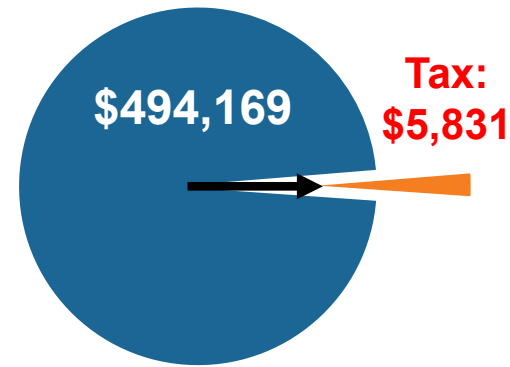
1. You have \$500,000 in a mutual fund



3. You reinvest that \$24,500 distribution back into fund. Value still = \$500,000



2. Fund declares a 4.9%[†] capital gain distribution (\$24,500)



4. You owe tax on \$24,500 distribution and will send the IRS \$5,831. Your after-tax value = **\$494,169** and you lost **1.2%** of your wealth.

Even if you recently purchased the investment and own on the distribution declaration date, you “get” to pay the tax

For illustrative purposes only. Assumes long term capital gain tax rate of 23.8% (20% + 3.8% Net Investment Income Tax).

[†] Using 2023 average capital gains distribution % of Morningstar broad category 'US Equity' which includes mutual funds and ETFs.

Let's walk through an "average" distribution scenario

Understanding Joe and Joan's tax hit from their mutual fund investments

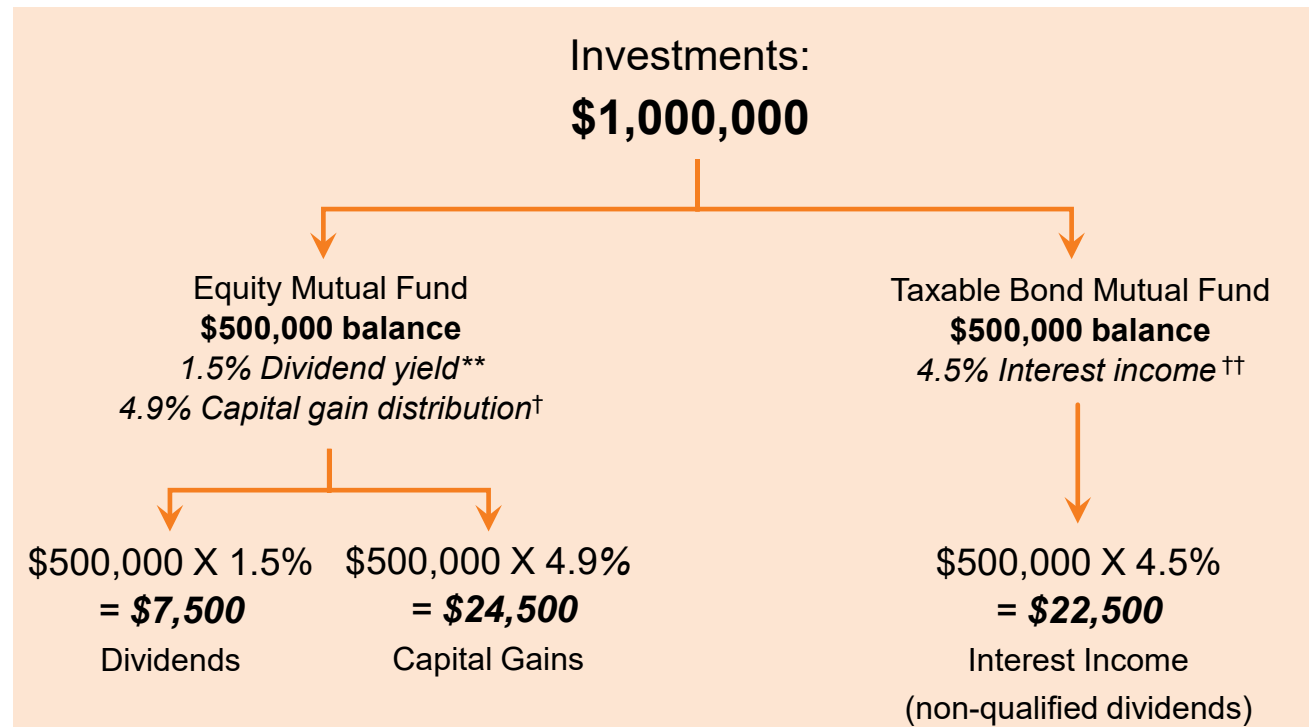


Joe & Joan Traditional Taxpayer

(filing status Married Filing Jointly)

1. Marginal Tax Rate
on unearned income:
 $37\% + 3.8\%$ (NIIT*) = **40.8%**

2. Long Term Capital
Gain/Qualified
Dividend Tax Rate:
 $(20\% + 3.8\%$ (NIIT*)) = **23.8%**



This slide is for illustrative purposes only and does not represent any actual investment strategy.

*Net Investment Income Tax.

**1.5% dividend yield: the yield on the S&P 500® Index as of 12/31/2023.

† 4.9% capital gain distribution: Represents 2023 average capital gain distribution % of Morningstar broad category 'US Equity' which includes mutual funds and ETFs.

†† 4.5% interest income: Represents the yield of the Bloomberg U.S. Aggregate Bond Index as of 12/31/2023.

Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

Their 1099-DIV shows you the pieces of the puzzle

Detailed review of an investor's Form 1099-DIV

Uncovering potential opportunities for improving your after-tax wealth



The Case of Joe & Joan Traditional Taxpayer

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0110		Dividends and Distributions
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1a Total ordinary dividends	Form 1099-DIV	
Mutual Fund Company		\$ 30,000	(Rev. January 2022)	Copy B For Recipient
		1b Qualified dividends	For calendar year	
PAYER'S TIN		\$ 7,500	20__	This important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S TIN		2a Total capital gain distr.	2b Unrecap. Sec. 1250 gain	
RECIPIENT'S name		\$ 24,000	\$	
Joe & Joan Traditional Taxpayer		2c Section 1202 gain	2d Collectibles (28%) gain	
Street address (including apt. no.)		\$	\$	
City or town, state or province, country, and ZIP or foreign postal code		2e Section 897 ordinary dividends	2f Section 897 capital gain	
Account number (see instructions)		\$	\$	
11 FATCA filing requirement <input type="checkbox"/>		3 Nondividend distributions	4 Federal income tax withheld	
12 Exempt-interest dividends		\$	\$	
13 Specified private activity bond interest dividends		\$	\$	
14 State		15 State identification no.	16 State tax withheld	
			\$	
			\$	

Form **1099-DIV** (Rev. 1-2022) (keep for your records) www.irs.gov/Form1099DIV Department of the Treasury - Internal Revenue Service

Box 1a: Total Ordinary Dividends:
 Dividend from mutual fund: \$7,500
 Interest income from mutual fund: \$22,500
 Total Ordinary Dividends: **\$30,000**

Box 1b: Qualified Dividends
\$7,500 X 23.8% = \$1,785 in federal taxes

Box 1a – Box 1b = Non-Qualified Dividends*
\$30,000 - \$7,500 = \$22,500
\$22,500 X 40.8% = \$9,180 in federal taxes

Box 2a: Total Capital Gain Distribution
\$24,000 X 23.8% = \$5,831 in federal taxes

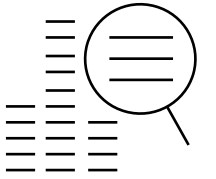
Box 12: Exempt-Interest Dividends
 Interest income from municipal bond funds. Generally, tax-free at the federal level. Average Joe & Joan had \$0 municipal bonds.

A hypothetical illustration.

*Any non-qualified dividends are taxed as ordinary income at maximum federal income tax rate of 37% for Married Filing Jointly and 3.8% Net Investment Income Tax.

Adding it up

Connecting the 1099 to after-tax wealth



Joe & Joan's December 31 portfolio statement value:	\$1,000,000
Total federal tax due:	<u>-\$16,796</u>
Including this tax hit, their after-tax value:	\$983,204
Percent of investment value lost to taxes:	-1.7%

And this assumes no active trading during the year.

Opportunity: Tax-managed investing for trusts

Taxable trusts¹ cross top marginal rate when income crosses \$15,200 vs. \$731,200 for couples²

Why a trust?

- Legal structure that contains a set of instructions on exactly how and when to pass assets to trust beneficiaries

Benefits

- Can help pass and preserve wealth efficiently and privately
- May help reduce estate taxes
- Gain control over distribution of your assets
- One can ensure that your retirement assets are distributed as planned

Did you know?

- There are more trust tax returns (Form 1041) filed annually than C-corp tax returns (3.1 million vs. 2.1 million)
- The 3.8% Net Investment Income Tax³ applies to trusts at only \$15,200 of net investment income vs. \$250,000 for couples
- These progressive tax rates create tax-smart fiduciary opportunities

Form 1041 Department of the Treasury—Internal Revenue Service
U.S. Income Tax Return for Estates and Trusts 2023 OMB No. 1545-0002
 Go to www.irs.gov/form1041 for instructions and the latest information.

A Check all that apply:
 Decedent's estate
 Simple trust
 Complex trust
 Qualified disability trust
 ESBT (S portion only)
 Grantor type trust
 Bankruptcy estate—Ch. 7
 Bankruptcy estate—Ch. 11
 Pooled income fund

B Number of Schedules K-1 attached (see instructions) **F** Check applicable boxes:
 Initial return Final return Amended return Not operating loss carryback

C Employer identification number
D Date entity created
E Nonexempt charitable and split-interest trusts, check applicable box(es). See instructions.
 Described in sec. 4947(a)(1). Check here if not a private foundation.
 Described in sec. 4947(a)(2).

G Check here if the estate or filing trust made a section 645 election. Trust TIN

1 Interest income	1
2a Total ordinary dividends	2a
b Qualified dividends allocable to: (1) Beneficiaries (2) Estate or trust	
3 Business income or (loss). Attach Schedule C (Form 1040)	3
4 Capital gain or (loss). Attach Schedule D (Form 1041)	4
5 Rents, royalties, partnerships, other estates and trusts, etc. Attach Schedule E (Form 1040)	5
6 Farm income or (loss). Attach Schedule F (Form 1040)	6
7 Ordinary gain or (loss). Attach Form 4797	7
8 Other income. List type and amount	8
9 Total income. Combine lines 1, 2a, and 3 through 8	9
10 Interest. Check if Form 4952 is attached <input type="checkbox"/>	10
11 Taxes	11
12 Fiduciary fees. If only a portion is deductible under section 67(e), see instructions	12
13 Charitable deduction (from Schedule A, line 7)	13
14 Attorney, accountant, and return preparer fees. If only a portion is deductible under section 67(e), see instructions	14
15a Other deductions (attach schedule). See instructions for deductions allowable under section 67(e)	15a
b Net operating loss deduction. See instructions	15b
16 Add lines 10 through 15b	16
17 Adjusted total income or (loss). Subtract line 16 from line 9	17
18 Income distribution deduction (from Schedule B, line 15). Attach Schedules K-1 (Form 1041)	18
19 Estate tax deduction including certain generation-skipping taxes (attach computation)	19
20 Qualified business income deduction. Attach Form 8995 or 8995-A	20
21 Exemption	21
22 Add lines 18 through 21	22
23 Taxable income. Subtract line 22 from line 17. If a loss, see instructions	23
24 Total tax (from Schedule G, Part I, line 9)	24
25 Current year net 965 tax liability paid from Form 965-A, Part II, column (k) (see instructions)	25
26 Total payments (from Schedule G, Part II, line 19)	26
27 Estimated tax penalty. See instructions	27
28 Tax due. If line 26 is smaller than the total of lines 24, 25, and 27, enter amount owed	28
29 Overpayment. If line 26 is larger than the total of lines 24, 25, and 27, enter amount overpaid	29
30 Amount of line 29 to be: a Credited to 2024 b Refunded	30

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here
 Signature of fiduciary or officer representing fiduciary Date EIN of fiduciary if a financial institution
 May the IRS discuss this return with the preparer shown below? See instructions. Yes No

Paid Preparer Use Only
 Print/Type preparer's name Preparer's signature Date Check if PTIN self-employed
 Firm's name Firm's EIN
 Firm's address Phone no.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11370H Form 1041 (2023)

¹ Note that not all trusts are taxable. For irrevocable taxable trusts that do not distribute income to beneficiaries, the undistributed income may be taxable.

² Married Filing Jointly

³ Net Investment Income Tax based upon Modified Adjusted Gross Income. All tax rates and tax stats from the Internal Revenue Service

Opportunity: Tax-managed investing for trusts

Modest size trusts can feel the pinch of progressive tax rates

What account size could pay top rate?	
Assumed mutual fund account balance	\$150,000
Fund declares 10% capital gains distribution	10%
Taxable gain	\$15,000

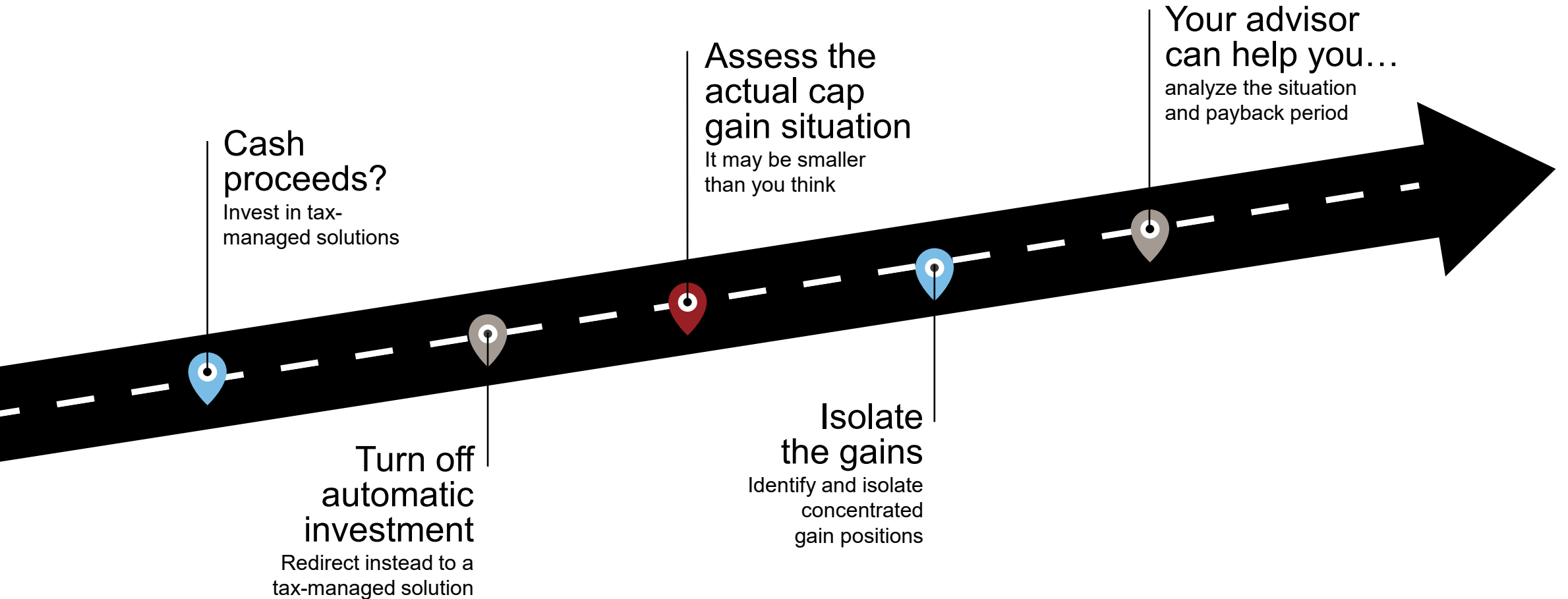
This hypothetical trust with only \$150,000 in assets could have realized gains with a top marginal rate of:

- **40.8%** if ST Capital Gains
- **23.8%** if LT Capital Gains

(includes Net Investment Income Tax of 3.8%)

A Transition Framework

Making the switch to tax-management



For illustrative purposes only.

Tax-management strategies to employ year round

- ❖ Harvest losses throughout year (not just year-end)
- ❖ Pay attention to the holding period
- ❖ Understand turnover
- ❖ Select tax lots / Avoid wash sales
- ❖ Manage portfolio yield
- ❖ Centralize the portfolio management of multiple managers
- ❖ Diversify different sources/types of municipal bond interest*
- ❖ Asset location matters (IRA, 401k, taxable, etc.)

Invest for the long term:
We believe the potential benefits to tax-managed investing compound over time.

*Generally for municipal bonds, only interest from bonds issued within the state is exempt from that state's income taxes.

APPENDIX

TAX-MANAGED INVESTING

Mutual Funds and Capital Gains

Consider the timing of fund purchases and sales relative to distributions

- If you **purchase** before year-end distribution:
 - You risk “Buying the Distribution”.
 - Distributions apply to all existing shareholders equally.
 - You will have to pay taxes on any fund gains incurred throughout the entire year.
This is true even if you didn't hold the fund the entire year.
 - Could be a significant tax impact that is due even if you reinvest the capital gains distribution.
 - When fund goes ex-dividend the market price drops by the amount of the dividend.
- If you **sell** prior to year-end distribution:
 - You will be taxed on the market value changes from date of purchase value to date of sale value (minus any return of capital).

Tax-Managed Investing

Important information and disclosures

Fund objectives, risks, charges and expenses should be carefully considered before investing. A summary prospectus, if available, or a prospectus containing this and other important information can be obtained by calling 800-787-7354 or by visiting <https://russellinvestments.com>. Please read a prospectus carefully before investing.

IMPORTANT RISK DISCLOSURES:

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

You and your financial advisor may work to combine selected funds that differ from the illustrated combinations depending upon individual investment objectives. Model Strategies are exposed to the specific risks of the funds directly proportionate to their fund allocation. The funds comprising the strategies and the allocations to those funds have changed over time and may change in the future.

These views are subject to change at any time based upon market or other conditions and are current as of the date at the top of the page. The information, analysis, and opinions expressed herein are for general information only and are not intended to provide specific advice or recommendations for any individual or entity.

This material is not an offer, solicitation or recommendation to purchase any security.

Nothing contained in this material is intended to constitute legal, tax, securities or investment advice, nor an opinion regarding the appropriateness of any investment. The general information contained in this publication should not be acted upon without obtaining specific legal, tax and investment advice from a licensed professional.

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Income from funds managed for tax-efficiency may be subject to an alternative minimum tax, and/or any applicable state and local taxes.

Indexes and/or benchmarks are unmanaged and cannot be invested in directly. Past performance is not indicative of future results.

Historical data shown not an indicator of future results. Other universes/indexes will produce different results.

Morningstar returns are not inclusive of sales charges.

End investors should consult with their financial and tax advisors before investing.

Municipal bond portfolios invest primarily in municipal bonds.

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Important information and disclosures (cont'd)

METHODOLOGY FOR UNIVERSE CONSTRUCTION:

- Average of Morningstar's Tax Cost Ratio for universes as defined.
- Averages calculated on a given category. For example, average reflects the arithmetic average of the Morningstar Tax Cost Ratio for the universe/category as listed. Data includes all share classes
- Large Cap/Small Cap determination based upon Morningstar Category.
- If fund is indicated by Morningstar as passive or an ETF, the fund is considered to be passively managed. Otherwise, the fund is considered to be actively managed.
- Tax Drag: Morningstar calculated Tax Cost Ratio.

The Morningstar categories are as reported by Morningstar and have not been modified. © 2023 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

METHODOLOGY FOR TAX DRAG:

Includes all open-ended investment products – mutual funds/ETFs that are both active and passive. Tax Drag reflects the arithmetic average of Morningstar Tax Cost Ratio. Data includes all share classes and reflects Morningstar category of US Equity and Taxable Bond for equities and fixed income respectively.

MORNINGSTAR CATEGORIES USED FOR 'POTENTIAL TAX IMPACT ON PORTFOLIO SLIDE':

- U.S. Equity: US Fund Large Blend, US Fund Large Value, US Fund Large Growth, US Fund Mid-Cap Blend, US Fund Mid-Cap Value, US Fund Mid-Cap Growth, US Fund Small Blend, US Fund Small Value, US Fund Small Growth
- Fixed Income (Taxable Bond): US Fund Long Government, US Fund Intermediate Government, US Fund Short Government, US Fund Inflation-Protected Bond, US Fund Long-Term Bond, US Fund Intermediate-Term Bond, US Fund Short-Term Bond, US Fund Ultrashort Bond, US Fund Bank Loan, US Fund Stable Value, US Fund Corporate Bond, US Fund Preferred Stock, US Fund High-Yield Bond, US Fund Multisector Bond, US Fund World Bond, US Fund Emerging Markets Bond, US Fund Emerging-Markets Local-Currency Bond, US Fund Nontraditional Bond
- International Equity: US Fund China Region, US Fund Diversified Emerging Markets, US Fund Diversified Pacific/Asia, US Fund Europe Stock, US Fund Foreign Large Blend, US Fund Foreign Large Growth, US Fund Foreign Large Value, US Fund Foreign Small/Mid Blend, US Fund Foreign Small/Mid Growth, US Fund Foreign Small/Mid Value, US Fund India Equity, US Fund Japan Stock, US Fund Latin America Stock, US Fund Miscellaneous Region, US Fund Pacific/Asia ex-Japan Stock, US Fund World Large Stock, US Fund World Small/Mid Stock.

INDEX DEFINITIONS

S&P 500 Index: A free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the S&P 500® are those of large publicly held companies that trade on either of the two largest American stock market exchanges: the New York Stock Exchange and the NASDAQ.

Russell 3000® Index: Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

Bloomberg Muni 1-15 Yr. Blend (1-17) Index: The index measures the performance of USD-denominated long-term tax exempt bond market with maturities of 1-15 years, including state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. It is a subset of overall Municipal index.

Bloomberg High Yield Municipal Bond Index: The index measures the performance of long-term tax exempt bond market, including high yield municipal bonds only.

Tax-Managed Investing

Important information and disclosures (cont'd)

MORNINGSTAR CATEGORY DEFINITIONS:

U.S. Fund - Large Value: Large-value portfolios invest primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

U.S. Fund - Large Blend: Large-blend portfolios are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.

U.S. Fund - Large Growth: Large-growth portfolios invest primarily in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.

U.S. Fund - Mid-Cap Value: Some mid-cap value portfolios focus on medium-size companies while others land here because they own a mix of small-, mid-, and large-cap stocks. All look for U.S. stocks that are less expensive or growing more slowly than the market. Stocks in the middle 20% of the capitalization of the U.S. equity market are defined as mid-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

U.S. Fund - Mid-Cap Blend: The typical mid-cap blend portfolio invests in U.S. stocks of various sizes and styles, giving it a middle-of-the-road profile. Most shy away from high-priced growth stocks but aren't so price-conscious that they land in value territory. Stocks in the middle 20% of the capitalization of the U.S. equity market are defined as mid-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

U.S. Fund - Mid-Cap Growth: Some mid-cap growth portfolios invest in stocks of all sizes, thus leading to a mid-cap profile, but others focus on midsize companies. Mid-cap growth portfolios target U.S. firms that are projected to grow faster than other mid-cap stocks, therefore commanding relatively higher prices. Stocks in the middle 20% of the capitalization of the U.S. equity market are defined as mid-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

U.S. Fund - Small Value: Small-value portfolios invest in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

U.S. Fund - Small Blend: Small-blend portfolios favor U.S. firms at the smaller end of the market-capitalization range. Some aim to own an array of value and growth stocks while others employ a discipline that leads to holdings with valuations and growth rates close to the small-cap averages. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

U.S. Fund - Small Growth: Small-growth portfolios focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. These portfolios tend to favor companies in up-and-coming industries or young firms in their early growth stages. Because these businesses are fast-growing and often richly valued, their stocks tend to be volatile. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

U.S. Fund - Foreign Large-Blend: Foreign large-blend portfolios invest in a variety of big international stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). The blend style is assigned to portfolios where neither

growth nor value characteristics predominate. These portfolios typically will have less than 20% of assets invested in U.S. stocks.

U.S. Fund - Diversified Emerging Markets: Diversified emerging-markets portfolios tend to divide their assets among 20 or more nations, although they tend to focus on the emerging markets of Asia and Latin America rather than on those of the Middle East, Africa, or Europe. These portfolios invest predominantly in emerging market equities, but some funds also invest in both equities and fixed income investments from emerging markets.

U.S. Fund - Taxable Bond: A group of similar funds that invest primarily in fixed-income securities. Funds in the following categories are assigned to this broad asset class: Long-Term Government, Intermediate-Term Government, Short-Term Government, Long-Term Bond, Intermediate-Term Bond, Short-Term Bond, Ultrashort Bond, International Bond, High Yield Bond, Emerging Markets Bond and Multisector Bond.

U.S. Fund - World Large-Stock Blend: World large-stock blend portfolios invest in a variety of international stocks and typically skew towards large caps that are fairly representative of the global stock market in size, growth rates, and price. World large stock blend portfolios have few geographical limitations. It is common for these portfolios to invest the majority of their assets in developed markets, with the remainder divided among the globe's emerging markets. These portfolios are not significantly overweight U.S. equity exposure relative to the Morningstar Global Market Index and maintain at least a 20% absolute U.S. exposure.

U.S. Fund - Muni National Intermediate: Muni national intermediate portfolios invest in bonds issued by various state and local governments to fund public projects. The income from these bonds is generally free from federal taxes. To lower risk, these portfolios spread their assets across many states and sectors. These portfolios have durations of 4.0 to 6.0 years (or average maturities of five to 12 years).

U.S. Fund - High-Yield Muni: High-Yield Muni portfolios typically invest a substantial portion of assets in high-income municipal securities that are not rated or that are rated at the level of or below BBB (considered high-yield within the municipal-bond industry) by a major ratings agency such as Standard & Poor's or Moody's.



THANK YOU.

ANY QUESTIONS?

