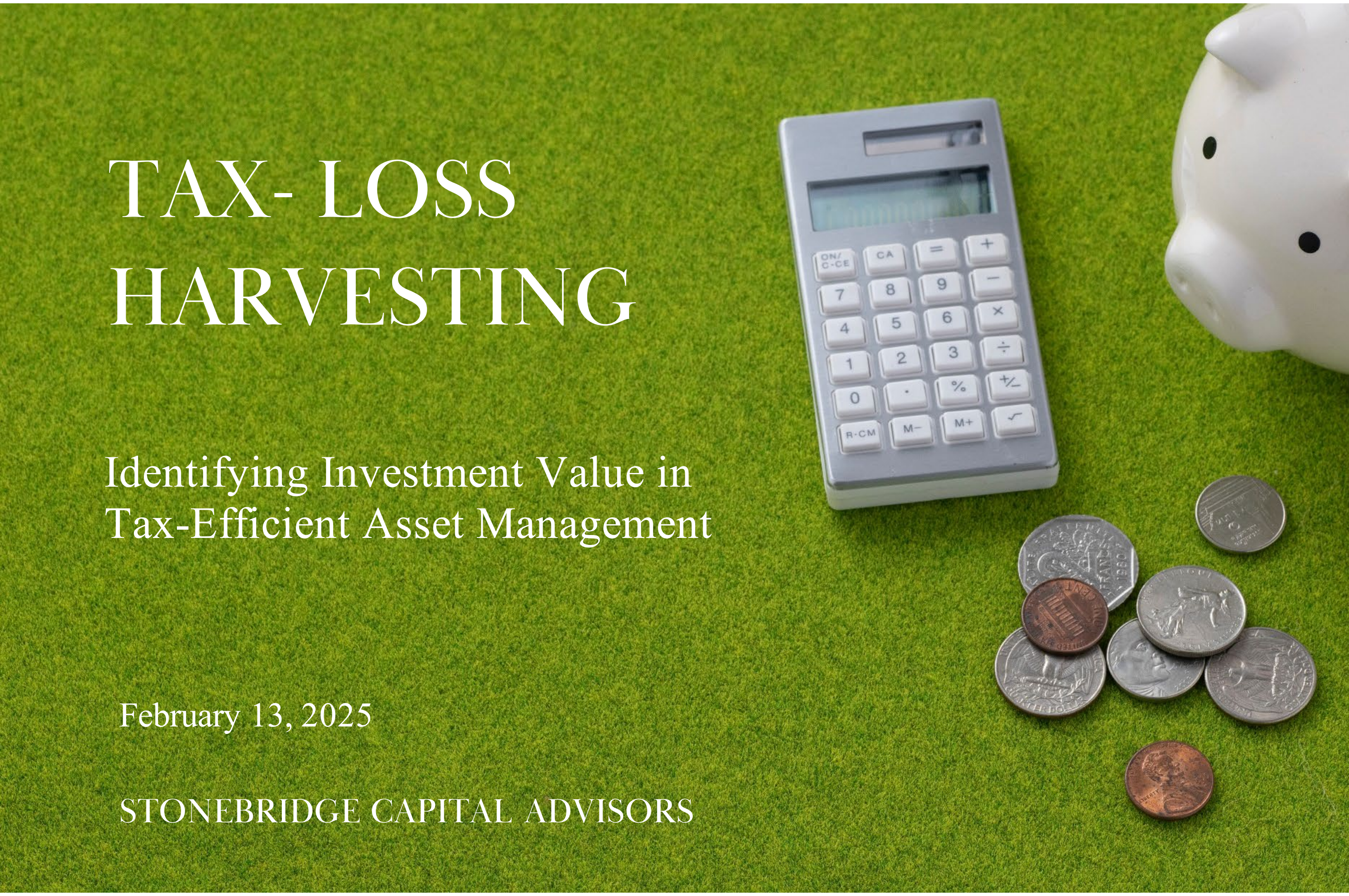
STONEBRIDGE
Capital Advisors



TAX- LOSS HARVESTING

Identifying Investment Value in Tax-Efficient Asset Management

February 13, 2025

STONEBRIDGE CAPITAL ADVISORS

> ***Clarity, Without the Complexity***
>
> *Having an investment partner who understands the effects of taxes on your overall financial goals is key to your investment success.*

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What is Tax-Loss Harvesting?

At Stonebridge Capital Advisors, we apply a holistic approach when managing our clients' portfolios to align with their financial goals, which often include tax strategies complementary to their investment objectives. Known by many names, including direct indexing, tax-efficient investing, tax mitigation portfolio management, and loss-harvesting, a well-managed tax strategy may help to minimize overall tax liabilities. Regardless of name, working with a professional investment manager to take advantage of loss-harvesting is an increasingly important part of portfolio management and isn't limited to only high-net-worth investors.

We use tax-loss-harvesting as a tax strategy to provide investors with the opportunity to capture losses, offsetting their realized gains. When appropriate for a client's investments objectives, we combine an active tax-loss harvesting strategy with our investment process.

Stonebridge Process:

- We use individual securities for greater clarity and control to achieve capital gains or losses specific to a client's tax needs and portfolio goals.
- We establish a capital gains budget.
- We evaluate capital gain consequences prior to decisions in non-qualified accounts.
  - However, it is important not to allow potential taxes to be the sole factor in the decision-making process.
- We work with clients and their advisors to understand their realized and unrealized gains and losses outside of the investment portfolio.
- We allow for transfer of assets in-kind, including highly concentrated positions.

Through this disciplined approach, we provide clarity and help to remove the complexity of how taxes can affect clients.

Benefits

- **Tax Savings**: potential to decrease the amount owed on capital gains and income in any given year.
- **Rebalancing for Reduced Risk**: taking a loss on an asset allows to offset a gain on the sale of a high concentrated low-cost position.

Rules & Considerations

- **The Wash Sale Rule**: Enacted by the Internal Revenue Service (IRS), "A wash sale occurs when you sell or trade stock or securities at a loss and within 30 days before or after the sale."
- **Offsetting Capital Gains**: For taxable years beginning in 2024, investors can offset an unlimited amount of capital gains by using their realized capital losses. If an investor incurs more losses than gains, they are eligible to use up to $3,000 annually to offset their ordinary income on federal income taxes ($1,500 for married couples, filing separately).[1]

[1] IRS Topic no. 409, Capital gains and losses for more information.

Stonebridge Approach to Investing

Stonebridge Investment Philosophy

Our investment philosophy is centered around fundamental analysis and a long-term investment horizon. Understanding that markets can be volatile, our goal is to achieve superior performance for our clients through in-depth research and discipline.

Tax-loss harvesting may be a valuable strategy for many investors, given their financial situation and investment goals. While taxes can affect investment returns, they should not be the sole factor when making an investment decision. At Stonebridge, our approach to investment management begins and ends with the client. We gain an in-depth understanding of your long-term goals and financial objectives. This includes identifying your values, risk tolerance and return expectations, income or growth needs, time horizon, tax implications, and any other aspects that assist us in managing your portfolio.

"We believe there is significant value in tax-efficient asset management in providing net after tax returns and meeting long-term financial goals."

– Robert Kincade | President, CEO, & Senior Wealth Advisor

Working with you and your tax advisor, we manage your portfolio to align with your investment strategy, helping achieve your financial goals in a tax-efficient manner.

Speak with a Stonebridge Capital Advisors Professional

We always welcome the opportunity to work with you. If you are interested in learning more about how our expertise can elevate your investment strategies, please do not hesitate to contact us today!

Important Disclosure Information

Advisory services offered through Stonebridge Capital Advisors, LLC., an investment adviser registered with the U.S. Securities & Exchange Commission.

Stonebridge Capital Advisors does not provide tax or legal advice. This communication is not to be relied upon to avoid tax penalties. Please consult your tax and legal advisors to determine how this information may apply to your own situation. Whether any planned tax result is realized by you depends on the specific facts of your own situation at the present time your tax return is filed. Tax laws or regulations are subject to change at any time and can have a substantial impact on an actual client situation. The views expressed are those of Stonebridge Capital Advisors and the information herein provided is for educational and discussion purposes only. This does not constitute a complete description of our investment services or performance and should not be construed as financial or investment advice, nor should any information in this document be relied on when making an investment decision. This is in no way a solicitation or offer to sell securities or investment advisory services.

Risk Considerations

Tax-loss harvesting involves certain risks. You may not see any benefit, or you may experience a loss if:

- The investments bought with proceeds from tax-loss harvesting sales underperform the investments sold or have higher costs than the harvested securities.

- You reinvest your tax savings now and sell in the future when you may be in a higher tax bracket and subject to higher taxes. By selling a security at a loss now, you're effectively resetting the cost basis of that investment lower. If capital gains or ordinary income tax rates rise, the future tax liability caused by selling the investment with a lower cost basis in the future could be greater than the benefit realized by harvesting the loss now (including any compounding benefit from the tax deferral). You can also push yourself into a higher future tax bracket by embedding large capital gains into your investments from harvesting. In this case, the gains triggered through the sell down of your securities may increase your income and, subsequently, your marginal tax rate.

- You introduce significant portfolio tracking error into your portfolio by replacing harvested securities with different securities. When losses are harvested, you need to purchase replacement securities that would not be deemed "substantially identical" for the purposes of the IRS wash-sale rules. The degree of differentiation between the harvested security and its replacement can be viewed as the degree of risk you must take to harvest a loss.

- The return on reinvestments is negative over the long term.

- The frequent sale and repurchasing of investments results in disqualification of qualified dividend treatment, which means dividends will be taxed at ordinary income rates instead of preferred capital gains rates. To obtain qualified dividend treatment and receive the lower capital gains tax rate, you must satisfy a minimum holding period. For example, mutual fund shares must be held for at least 61 days of the 121-day period which began at least 60 days before the ex-dividend date of the security.

- After offsetting any capital gains and ordinary income, you have residual capital losses that carry forward indefinitely. If you carry forward large losses (beyond realized gains and the ordinary income offset), you may not be able to use them up in future tax years. Though there are no penalties associated with carrying losses forward, you may be incurring the risks of tax-loss harvesting without obtaining the primary benefits of the strategy.

Forecasts and targets are based on certain assumptions and on our current views of market and economic conditions, which are subject to change. There can be no assurance that any investment strategy will be successful and meet its investment objectives. Investments fluctuate with changes in market and economic conditions and across different environments due to multiple factors, some of which may be unpredictable. Asset allocation and diversification do not guarantee investment returns or eliminate risk of loss. All investing involves risks, including the possibility of a loss of principal. Past performance is not necessarily indicative of future results.
Additional information may be available upon request.