Coach's Corner

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After-Tax Advisor | Attracting Clients

Turning Tax Losses Into Client Wins

By: Eaton Vance | June 1, 2022

Have you ever noticed what happens in a conversation when you use the word "loss"? The typical reaction is that the other person stops listening as soon as the word leaves your lips. It's as if that other person is struggling to find a way to explain to you that they don't want to lose money. Nobody does, of course, but it happens. How can you turn these loss conversations into client wins?

The After-Tax Advisor® attracts prospective clients by helping them understand the value of tax losses. A "tax loss" occurs when an asset is sold for less than what was originally paid for it. A taxable investor can use the amount of this realized loss to reduce the taxable amount of a realized gain elsewhere in the portfolio or elsewhere in time. When an investor realizes a tax loss, the IRS ultimately gets less of the investor's money.

You might say a tax loss is "a discount coupon the IRS sends you" because tax losses can reduce the amount of capital gains tax owed. Explaining tax losses this way can help prospective clients hear the rest of what you have to say — all the good advice that follows the word "loss."

What's the catch? Not all investments can "distribute" realized losses to investors. It's important to help clients understand whether or not different investment vehicles can distribute losses and work with clients' tax professionals to identify how tax-loss harvesting can improve tax outcomes.

Bottom line: By showing new clients how to improve their after-tax experiences, you can harness the client-attracting power of The After-Tax Advisor.

TAX FORWARD 365® Growing after-tax wealth takes tax-forward thinking

All investing involves risk, including the risk of loss.

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Tax-loss harvesting involves certain risks including, among others, the risk that the new investment could perform worse than the original investment and that transaction cost could offset the tax benefit. There may also be unintended tax implications.

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