

Tax-Advantaged Solutions:

Designed to Help You Keep More of What You Earn.

Direct Indexing & Tax Loss Harvesting

Smart investing isn't just about returns—it's about what you keep after taxes. Direct Indexing and Tax Loss Harvesting are investment approaches that seek to **improve after-tax outcomes while maintaining long-term market exposure.**



WHAT IS DIRECT INDEXING?

Direct Indexing allows investors to **own a sample of stocks** that comprise an index (such as the S&P 500), with the objective of tracking its performance - rather than **owning a fund.**

DIRECT INDEXING SEEKS TO:

- Replicate index performance with added flexibility
- Increase tax efficiency at the individual stock level
- Allow for greater personalization (ESG preferences, exclusions, legacy holdings)
- Provide more control over timing of capital gains

WHAT IS TAX LOSS HARVESTING?

Tax Loss Harvesting involves **realizing capital losses to offset capital gains** elsewhere in a portfolio, thereby increasing after-tax returns.

TAX LOSS HARVESTING SEEKS TO:

- Offset capital gains and possibly **reduce taxable income up to \$3,000** of ordinary income per year, with any remaining losses carried forward for future tax years.
- Potentially reduce current and future tax liabilities
- Turn market volatility into opportunity
- Create tax losses that can be carried forward to offset gains, subject to applicable tax rules

Over time, these tax savings may contribute to improved after-tax returns.



WHY THEY'RE BETTER TOGETHER

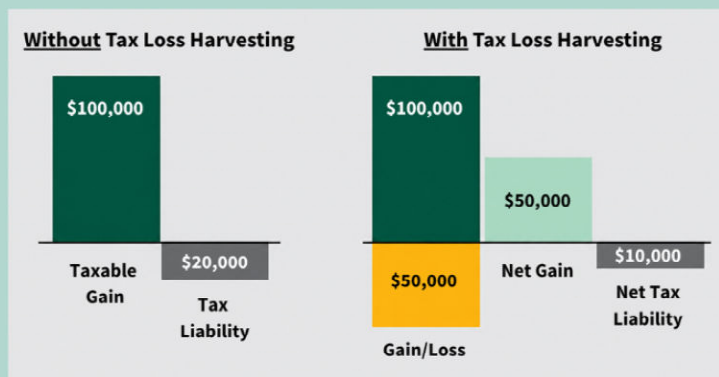
Direct indexing can unlock the potential for **frequent** and **precise tax-loss harvesting** by capturing losses at the individual-stock level—even when the overall market is rising—while still seeking **index-like returns**.

THE COMBINED ADVANTAGE:

TAX ALPHA (HIGHER AFTER-TAX RETURNS):

Tax-loss harvesting may **improve after-tax outcomes** — with a cumulative tax benefit over the horizon versus a passive strategy.

(Graph assumes 20% capital gains rate)



TRANSITION ALPHA (TAX-EFFICIENT FUNDING):

Funding accounts **in-kind** may help defer immediate taxable events when transferring appreciated positions.

BEHAVIORAL ADVANTAGES:

Ownership and personalization can **increase engagement** and **reduce emotionally driven portfolio changes**.

CUSTOMIZATION & VALUES ALIGNMENT:

Tailor exposures (ESG, sector/factor tilts, omit unwanted industries) — **customization to support personal goals, values, and preferences**.



UNDERSTAND THE WASH SALE RULE:

Investors should be aware of the IRS wash sale rule. A loss realized on the sale of a security may not be deductible for tax purposes if the same or a substantially identical security is **purchased within 30 days before or after the sale**.

This rule is designed to prevent investors from claiming tax losses while maintaining essentially the same market position. Understanding the wash sale rule can help investors make more informed decisions, avoid unexpected tax consequences, and plan transactions more strategically.

CLIENT PROFILE THAT COULD BENEFIT FROM DIRECT INDEXING:



- Is in a high tax bracket, for whom **tax efficiency** is important
- Owns **appreciated assets** such as real estate or equities
- Has ownership interests in private **businesses** or closely held **companies**
- Desires investments that are reflective of their **values and beliefs**
- Holds **concentrated stock positions** that need diversification or tax-aware management

“It's not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for.”

- ROBERT KIYOSAKI, FROM THE 1997 BOOK, “RICH DAD, POOR DAD,”

The Bottom Line

Direct Indexing + Tax Loss Harvesting = Smarter, More Efficient Investing

By focusing on after-tax results and personalization, investors may be able to keep more of what they earn and better align their portfolios with their goals.

At NewSquare, our goal is to provide advisors and clients with solutions to **build, grow, and preserve wealth.**

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Please remember, past performance may not be indicative of future results. Investing in any investment vehicle carries risk, including the possible loss of principal, and there can be no assurance that any investment strategy will provide positive performance over a period of time.

Diversification does not guarantee a profit or protect against loss in a declining market.

Benefits of Tax Loss Harvesting depend on individual tax circumstances. Investors should consult a tax advisor before implementing such a strategy. As with any investment strategy, Direct Indexing may not be suitable for all investors and does not eliminate investment risk. Investors should consult with a financial professional to determine whether such strategies align with their goals and circumstances.

The potential tax benefits of direct indexing and tax-loss harvesting can change over time. Market swings and changes in tax laws may reduce or eliminate these benefits, and investors could face taxes later. There is no guarantee of a positive tax outcome.

Values-based (ESG) investing may limit diversification and could affect portfolio performance. Investors should consider these factors when evaluating such strategies.

The information within has not been tailored for any individual. The asset classes and/or investment strategies described in this piece may not be suitable for all investors.

Historical performance results for market indices do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the inurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your account holdings correspond directly to any comparative indices. Please note that you cannot invest directly in an index.

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