It's Not What Your Clients Earn, It's What They Keep

WE DO INVESTMENT MANAGEMENT DIFFERENTLY

It's no secret that financial advisors use asset allocation to manage a client's investment risk. However, for clients to keep more of what they earn, another piece of the investment management puzzle is needed: asset location. This refers to minimizing the tax impact by placing a client's assets in the most optimal account type in the household.

The right tax strategy can help clients keep more of their earnings and investment gains, enhancing client relationships and boosting the value of managed portfolios.

Yet tax optimization can be a time-intensive manual process, and most of today's portfolio management software falls short of enabling advisors to easily implement tax-efficient strategies.

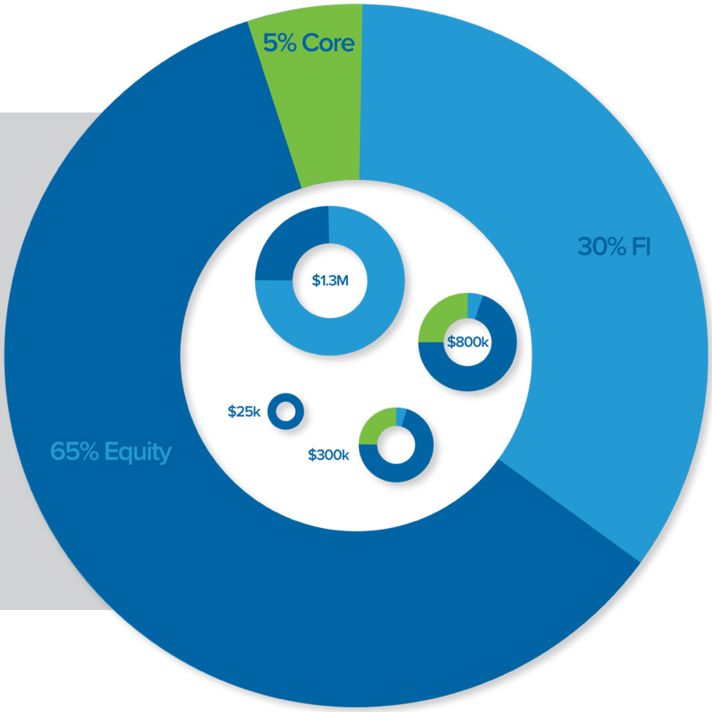
Wealthcare is not like other firms. Our proprietary GDX360® platform helps advisors automate and execute strategies that are designed to minimize the tax impact. We do this by using a household-based portfolio management and tax optimization process.

WHY HOUSEHOLD-BASED PORTFOLIO MANAGEMENT?

By managing portfolios at the household level instead of the traditional account level, GDX360® enables advisors to:

- Reduce positions and transaction costs
- Structure holdings account by account in tax-efficient manner
- Increase after-tax returns for clients
- Consolidate and simplify rebalancing
- Account for employer-sponsored retirement plan assets
- Use aggregate approach to tax-loss harvesting

This approach gives advisors cost control and visibility into opportunities.



65/35 PLAN ALLOCATION

Five Keys to Tax-Efficient Portfolio Construction

GDX360®

1

Smart Asset Location Strategy

Putting the right assets in the right type of account can help clients keep more of what they earn. GDX360 evaluates a client's holdings at the household level and determines the placement of assets across taxable, tax-deferred and tax-exempt accounts based on the tax efficiency of each holding. For example, GDX360 places high-turnover assets in tax-deferred/exempt accounts first, and low turnover assets in taxable accounts. This is done while applying the asset allocation strategy across the household.

Based on a study by Morningstar, asset location/withdrawal sourcing strategies can add up to 52 basis points of value.[1]

2

Seamless Rebalancing

Rebalancing portfolios at the household level greatly reduces transaction costs because the portfolio starts with fewer positions. Fewer positions means fewer trades for rebalancing. With GDX360, advisors can often use a single tax-deferred or exempt account to rebalance an entire portfolio, avoiding needless tax consequences associated with rebalancing in taxable accounts.

Less Talk, More Action
While other portfolio management software requires manual rebalancing based on proposed tax strategies, GDX360 goes further to execute tax-efficient trades and rebalancing within a portfolio – saving advisors considerable time and hassle.

3

Dynamic Withdrawal Sourcing

If clients aren't careful, withdrawing money from accounts can have unintended and adverse tax impacts. GDX360 provides advisors guidance on tax-efficient ways to withdraw funds based on the assets and circumstances of each household. By managing at the household level, we are able to look across accounts and potentially avoid realization of capital gains when sourcing withdrawals. We continuously adjust the portfolio in an effort to maximize after-tax wealth while also maintaining the targeted asset allocation when executing RMD distributions.

4

Ongoing Tax Management

Providing clients with continuous tax guidance can yield long-term value for advisors. And adding this value goes beyond the initial asset location. As the client's situation changes (assumptions, tax brackets and rates), so too should the plan and process. GDX360 offers a comprehensive tax-loss harvesting program and real-time monitoring so advisors can recognize unrealized losses and act on them. In doing so, it can also retain the client's asset allocation mix by replacing the sold assets with similar new assets.

5

Include Held Away Accounts

Household-based portfolio management allows the advisor to accommodate the often limited options available in an employer-sponsored retirement plan [401(k), 403(b), etc.]. For example, a client may not have an investment option for a preferred asset class in their plan. In this case, we'll purchase that missing asset class in another account to accommodate the overall household portfolio strategy.

[1]Blanchett, Kaplan. Morningstar, August 2013. "Alpha, Beta and Now...Gamma".
Morningstar estimates are not based on the exact Wealthcare process.