

Investment Tax-Efficiency Review

Taxable Brokerage Portfolio Analysis

Client: Fred & Julie Morrison · Date: June 2026

Executive Summary

This review examines the joint taxable brokerage portfolio held by Fred and Julie Morrison to identify tax planning opportunities across three critical dimensions: unrealized capital gains exposure, tax-loss harvesting potential, and asset location efficiency.

PORTFOLIO
VALUE

\$1,871,500

NET UNREALIZED
GAIN

\$618,500

HARVESTABLE
LOSSES

\$73,900

ANNUAL TAX
DRAG

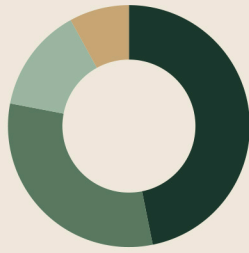
\$11,470

Key Finding The portfolio carries \$618,500 in embedded capital gains while \$73,900 in unrealized losses remain unharvested. Additionally, approximately \$370,000 in tax-inefficient holdings are positioned in the taxable account, generating an estimated \$8,740 in avoidable annual tax drag.

Portfolio Composition

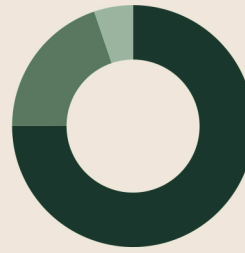
The taxable account holds 13 positions spanning index ETFs, individual equities, actively managed mutual funds, and bond funds. The charts below illustrate the breakdown by vehicle type and tax efficiency profile.

Holdings by Vehicle Type



- Index ETFs
\$876,700 | 46.8%
- Individual Stocks
\$583,200 | 31.2%
- Active / Thematic Funds
\$261,800 | 14%
- Bond Index Fund
\$149,800 | 8%

Tax Efficiency Profile



- Tax-Efficient
\$1,403,900 | 75%
- Tax-Inefficient
\$370,000 | 19.8%
- Speculative / Volatile
\$97,600 | 5.2%

Tax-Efficient Portfolio Coverage

80% / 100% · 80%

Unrealized Capital Gains Exposure

The portfolio carries \$692,400 in gross unrealized gains, heavily concentrated in long-held positions. At current federal and California state rates, a full liquidation would generate an estimated \$150,000 or more in combined capital gains tax.

Holding	Cost Basis	Market Value	Unrealized Gain	Term
VTI -- Vanguard Total Stock Mkt	\$218,000	\$384,500	\$166,500	LT
AAPL -- Apple Inc.	\$48,000	\$186,400	\$138,400	LT
AMZN -- Amazon.com Inc.	\$64,200	\$197,600	\$133,400	LT
SPY -- SPDR S&P 500 ETF	\$178,000	\$264,800	\$86,800	LT
MSFT -- Microsoft Corp.	\$56,800	\$143,200	\$86,400	LT
QQQ -- Invesco Nasdaq 100	\$88,000	\$131,400	\$43,400	LT
VIG -- Vanguard Div. Appreciation	\$70,500	\$96,000	\$25,500	LT
Major Positions Subtotal	\$723,500	\$1,403,900	\$680,400	

Concentration Risk Five positions (VTI, AAPL, AMZN, SPY, MSFT) represent 61% of portfolio value and contain \$611,500 in unrealized gains — approximately 90% of total embedded gains. Any significant rebalancing or liquidation involving these holdings would trigger substantial tax liability. A phased diversification strategy paired with loss harvesting can help manage this exposure over time.

Tax-Loss Harvesting Opportunities

Three positions currently carry unrealized losses totaling \$73,900. These losses can be strategically harvested to offset realized gains elsewhere in the portfolio, or shelter up to \$3,000 in ordinary income per year, with excess losses carried forward indefinitely.

Holding	Cost Basis	Market Value	Unrealized Loss	Term	Potential Swap
ARKK -- ARK Innovation ETF	\$84,000	\$41,600	- \$42,400	ST	QQQM or VGT
RIVN -- Rivian Automotive	\$36,500	\$18,200	-\$18,300	LT	DRIV or LIT
PYPL -- PayPal Holdings	\$51,000	\$37,800	-\$13,200	ST	IPAY or SQ
Total Harvestable Losses	\$171,500	\$97,600	- \$73,900		

Short-Term Losses

\$55,600

Est. Tax Savings

Up to \$19,500

LT Offset Rate (Fed + CA)

24.3%

Long-Term Losses

\$18,300

ST Offset Rate (Fed + CA)

33.3%

Loss Carry-Forward

Unlimited

Wash Sale Rule Reminder Replacement securities must not be substantially identical to the position sold. The swaps suggested above maintain similar market exposure while avoiding wash sale disqualification during the 61-day restricted window (30 days before and 30 days after the sale date).

Asset Location Analysis

Asset location is the strategic placement of investments across taxable and tax-advantaged accounts to minimize overall tax drag. Three holdings in the taxable portfolio generate income taxed at ordinary rates, creating unnecessary annual tax costs that could be avoided through repositioning.

Holding	Market Value	Tax Efficiency Issue	Annual Tax Drag
PIMIX -- PIMCO Income Fund	\$125,000	High ordinary income distributions	\$3,490
JHQAX -- JH Disciplined Value	\$95,200	High turnover, ST capital gains	\$3,160
VBTLX -- Vanguard Total Bond	\$149,800	Interest taxed as ordinary income	\$2,090
Total Tax-Inefficient	\$370,000		\$8,740

Estimated Annual Tax Drag by Holding

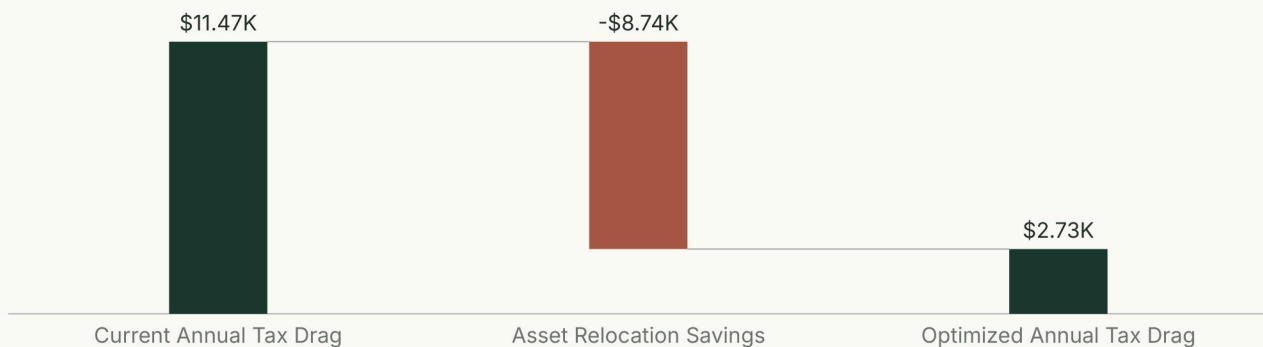


Relocation Opportunity If Fred and Julie maintain IRA or 401(k) accounts, relocating these three holdings into tax-deferred space and replacing them with tax-efficient index ETFs in the taxable account could eliminate approximately \$8,740 per year in unnecessary tax. Over a 10-year horizon, this represents over \$87,000 in potential savings before compounding effects.

Estimated Tax Impact: Current vs. Optimized

The chart below illustrates how implementing asset relocation would reduce the ongoing annual tax burden. Tax-loss harvesting provides an additional one-time benefit in the year of execution.

Annual Portfolio Tax Drag Reduction



Current Annual Tax Drag

\$11,470

Optimized Annual Tax Drag

\$2,730

Annual Savings from Relocation

\$8,740

One-Time TLH Benefit (Year 1)

Up to \$19,500

First-Year Total Tax Benefit

\$28,240

10-Year Cumulative Projection

\$107,000+

Note on Projections The 10-year projection assumes annual asset relocation savings of \$8,740 plus the one-time tax-loss harvest in Year 1. Actual results will vary based on market conditions, future tax rates, and portfolio changes. This estimate does not include the compounding benefit of reinvested tax savings.

Recommended Action Plan

1. **Harvest Losses Immediately:** Sell ARKK, RIVN, and PYPL to realize \$73,900 in capital losses. Reinvest proceeds in similar-but-not-identical funds to maintain market exposure while complying with wash sale rules.
2. **Relocate Tax-Inefficient Holdings:** Move PIMIX, JHQAX, and VBTLX into tax-deferred accounts (Traditional IRA or 401(k)) where distributions are sheltered from current taxation. Replace them with tax-efficient index ETFs in the taxable account.
3. **Implement Systematic TLH Monitoring:** Establish an ongoing process to identify and harvest losses throughout the year, particularly during periods of elevated market volatility, to build a reserve of capital loss carry-forwards.
4. **Develop a Concentrated Position Strategy:** Create a multi-year plan to gradually diversify the large AAPL and AMZN positions using strategies such as charitable gifting of appreciated shares, staged sales paired with harvested losses, or exchange funds.
5. **Conduct Annual Distribution Reviews:** Before each year-end, review mutual fund capital gain distribution estimates and consider proactive repositioning to avoid unexpected taxable distribution events.

IMPORTANT DISCLOSURES

This report is a hypothetical illustration prepared for educational and demonstration purposes only. It does not constitute tax, legal, or investment advice. All client names, holdings, figures, and scenarios presented are entirely fictional. Tax laws and regulations are subject to change, and individual results will vary based on specific circumstances. Consult a qualified tax professional and financial advisor before implementing any strategy discussed herein.