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ADVISORS

7 STRATEGIES **To Potentially Shrink** **Your Tax Bill**



Most investment advice focuses on how to grow your wealth, but that's only half of the equation. The other half—often overlooked—is how much of that wealth you actually keep. An aspect for building lasting wealth isn't just earning more—it's keeping more of what you earn by staying a step ahead with smart, tax-efficient strategies.

Taxes can quietly erode your investment gains, making tax strategy just as important as portfolio performance. Fortunately, the U.S. tax system offers ways to best utilize your investment taxes and increase your after-tax returns. The right strategy could potentially be the difference between paying over 50% in taxes or potentially paying 0%.

We'll explore seven strategies that can potentially reduce your tax burden and help you keep more of what you earn.

At Flagship Financial Advisors, we specialize in building custom, tax-advantaged portfolios for affluent investors.

Tax Loss Harvesting

By selling underperforming investments, you can use capital losses to offset capital gains, reducing your tax liability. If you have net losses beyond your gains, you can deduct up to \$3,000 against ordinary income and carry forward remaining losses to future years.¹

Takeaway: Strategic loss harvesting can reduce your taxable gains and increase your after-tax return.

Tax Gain Deferral

You only pay taxes when you sell investments. If you expect to be in a lower tax bracket in the future (e.g., retirement), delaying gains can significantly reduce your tax liability.²

Takeaway: Holding investments longer can defer taxes and lower your tax bill over time.

Invest in Tax-Exempt Securities

Certain bonds, such as municipal bonds, provide tax-free interest income. Treasury bonds are also exempt from state and local taxes.³

Takeaway: High earners can benefit from tax-exempt securities, especially in high-tax states.

Use Tax-Advantaged Accounts

Accounts like 401 (k)s, IRAs, and Roth IRAs provide significant tax benefits, either through tax-deferred growth or tax-free withdrawals.⁴

Takeaway: Increase contributions to tax-advantaged accounts to shield investment growth from taxation.

Evaluate Asset Location

Placing different asset types in the more tax-efficient accounts can help to decrease tax liability. For example, bonds should go into tax-advantaged accounts due to their high taxable interest, while stocks should be in taxable accounts to benefit from lower capital gains tax rates.⁵

Takeaway: The right account for each asset class can change after-tax returns.

Strategic Family Gifting

The annual gift tax exclusion (\$19,000 per recipient in 2025)⁶ allows tax-free transfers to family members. Additionally, assets passed through inheritance benefit from a stepped-up basis, eliminating unrealized capital gains.

Takeaway: Gifting strategies can reduce taxable estates and pass on wealth tax-efficiently.

Charitable Gifting via Donor-Advised Funds (DAFs)

Donating appreciated securities allows you to deduct the full market value while avoiding capital gains taxes. DAFs simplify this process by acting as a charitable giving account.⁷

Takeaway: Charitable gifting through DAFs can expand deductions and reduce capital gains tax liability.

How To Invest Tax-Efficiently

When utilizing its full potential, a portfolio can balance returns with lower risk while strategically reducing taxes. A key factor in your portfolio's performance is asset allocation—how you divide investments among stocks, bonds, and other assets.

Historically, equities have delivered the highest returns. From 1926 to 2021, an equity portfolio averaged an annual return of 10%.⁸ Bonds and other fixed-income investments provide stability but lower yields. To increase returns, your portfolio's allocation must align with your goals and risk tolerance.

Reducing Uncompensated Risk

Not all risks come with rewards. A well-diversified portfolio—spreading investments across industries and companies—reduces exposure to any single stock or sector.

However, taxes can significantly impact your returns. A 50% tax rate could turn an 8% return into just 4%. Thankfully, the tax-efficient strategies that we implement can help mitigate this impact.

The Value of Professional Advice

Some investors focus solely on pre-tax returns, but after-tax performance should be factored in, too. Affluent investors should strategize every dollar they invest, save, and earn to potentially ensure they can reach their aspirations.

At Flagship Financial Advisors we provide personalized, fiduciary-based advice to meet your specific needs. We pair advice with technology to implement effective investment and tax-advantaged strategies automatically.

We do not rely on static financial plans or generic questionnaires. Instead, we focus on what's important to you to build a strategy that continuously evolves based on your goals, assets, and tax situation.

Advice with Cutting-Edge Technology

Our digital-first approach ensures seamless, proactive communication while delivering highly personalized investment strategies.

Continuous Portfolio Adjustments

We monitor and adjust portfolios to align with changing market conditions and client needs.

Tax Strategies With Your Goals In Mind

As fiduciaries, our advisors are well-versed in providing the guidance you may need and help you integrate tax-efficient strategies throughout your investment life cycle.

Dynamic and Proactive Service

Clients dictate their preferred communication cadence, and advisors proactively reach out when action is needed.

Comprehensive Financial Guidance

Beyond investment management, we incorporate cash flow planning, risk assessment, and major life decision guidance.



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At Flagship Financial Advisors, our goal is to help you simplify your life so you can live your life the way you envision.

As a Fiduciary, our fact-based personalized investing approach, planning and management experience, and independence bring control and accountability to the entire relationship to better prepare you to weather surprises and manage volatility when it occurs.

Sources:

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