Avantax®
Intelligent Planning Overview

Avantax®

What is Tax-Intelligent Planning?

Avantax, a pioneer of tax-intelligent planning, offers comprehensive wealth management to help clients across the nation make choices that yield healthier financial and investment decisions.

A tax-intelligent approach to investing means we seek ways to both build wealth and protect it with a carefully honed selection of tax strategies including:

- Minimizing taxes on capital gains to protect investment value
- Identifying the most advantageous distribution of Social Security benefits
- Applying both annual and long-term strategies to reduce taxes so more money can grow tax-free
- Planning for the most effective distribution strategies to minimize the impact of taxes
- Focusing on tax mitigation for estate and legacy planning

We believe every financial decision a client makes has tax implications. Clients need to be able to work with someone who can confidently and successfully navigate both the ups and the downs of the markets as well as the ever-changing role taxes play in their financial plan. This has been the foundation of our company and the competitive advantage of our Financial Professionals for over 40 years.

Financial Professionals can provide in-depth knowledge of the market, investment products, financial planning approaches and other considerations when it comes to building and protecting wealth. All too often, Financial Professionals focus on the initial return on your investments without any concern for potential tax liabilities down the road. Failure to consider taxes, a major expense with direct impact on the chances of success for reaching goals, falls short of a comprehensive and holistic plan.

At Avantax, we focus instead on these comprehensive strategies, addressing client goals in an integrated way while increasing the potential to reach those goals more quickly because of a reduced tax expense.

As an Avantax Financial Professional, you're in a unique position to grow your practice and help your clients by offering something most firms aren't capable of providing — a financial plan developed through the lens of tax impact and designed to help clients maximize wealth better than they could with other financial advisors.

FIRMS ATTRIBUTE **27% OF CLIENT GROWTH** TO THE FACT THEY PROVIDE A **TAX-INCLUSIVE APPROACH** TO FINANCIAL PLANNING.[1]

[1]Source: Arizent 2020 tax and financial advisor professionals survey

Avantax Financial Professionals take a truly comprehensive approach by including the lens of taxation while reviewing a client's investment strategy, business assets, possible insurance needs, and retirement goals; other Financial Professionals ignore this. We help ensure investments are appropriately allocated, consider future expenses and how they'll be covered, and help clients understand the tax implications of investment and distribution decisions, including dividends and capital gains/losses.

Our cornerstone belief is implementing a comprehensive, tax-inclusive approach to an individual's financial situation would yield healthier financial and investment decisions.

Tax data can reveal incredible financial opportunities and vulnerabilities for your clients. All too often, Financial Professionals maintain a singular focus on a client's wealth and fail to analyze their tax situation before making investment recommendations. We provide tools to help you find ways to strengthen your client's financial situation holistically.

Financial Planning Strategies Through a Tax-Intelligent Lens

The goal of Avantax Intelligent Planning is to use the right asset allocation, tax-efficient investment products and tax-conscious planning solutions to help your clients keep more of what they earn. Instead of simply focusing on market gains, we seek ways to both build wealth and protect it with a carefully honed selection of tax strategies.

Taking a tax-centric approach to planning and investing can add a potential value of up to 1.2%* annually when considering the role taxes play. Over 10 years, that value could make a significant difference to overall net worth.

**Source: Russell Investments' 2022 Value of an Advisor Study.*

Avantax Intelligent Planning

We've mapped out a comprehensive approach for every aspect of a client's financial plan that can be introduced as part of the client planning process. Each offering is a core component of a comprehensive plan. With this approach, we help clients systematically address seven major planning topics to implement comprehensive tax-intelligent financial solutions.

Behavioral Finance

One of the biggest challenges for a Financial Professional can be educating clients so they can make the best financial decisions for their situation. Although we would like to think investors make choices based on logic, the study of behavioral finance demonstrates how likely it is for them to make decisions based on emotions and biases rather than rational thinking.

But if you start to understand how this phenomenon skews your client's thinking, you can incorporate strategies to overcome, and even harness, that bias to steer them in the right direction toward a comprehensive, tax-intelligent financial plan.

Expanding on the eMoney Head, Heart and Hand Model

eMoney recently conducted "The Heart of Advice Study" to determine what makes a successful Financial Professional. They drilled down to three fundamental elements: The Head, The Heart and The Hand. These three tenets, along with learnings from behavioral finance studies, drive a client experience that helps investors stay on track.

THE HEART OF ADVICE STUDY

	The Head	The Heart	The Hand
eMoney "Heart of Advisor" concepts	Curating information to help drive client decisions. Applying industry knowledge and book smarts to offer effective advice.	Engaging clients through empathy and understanding. Focusing on behavioral, emotional, and interpersonal elements by meeting clients on their terms.	Leveraging technology to create an exceptional client experience. Harnessing the computational and communicationenhancing benefits of tech platforms to deliver high-quality decisions.
How Tax-Intelligent strategies can build on these concepts	A comprehensive financial plan can help clients stay on track. When you tie the plan to long-term goals and support it with relevant data, clients focus on why they are investing instead of short-term performance.	Your modern-day role is just as much coach as financial consultant. Industry knowledge needs to be supported with empathetic listening and ongoing guidance to steer clients toward sound financial decisions.	Using technology to communicate regularly and model different outcomes based on long-term goals can help clients overcome investment worries and poor decisions — especially in a volatile market.

Tax-Intelligent Investing Solutions

As you develop your tax-intelligent practice, you'll likely discover the two primary obstacles faced by Financial Professionals are limits on time and access to information. Tax-focused Financial Professionals often find fully implementing their expertise to help clients is very time-consuming. To help remove these roadblocks to success, Avantax introduced the Tax-Smart Investing™ platform (TSI). The TSI suite of solutions provide Avantax Financial Professionals scalability and efficiency in finding tax-saving opportunities for clients, allowing them to provide their tax-smart expertise more efficiently and deliver their unique value proposition to more clients.

The TSI Suite of Solutions

1040 Analyzer®

Having the wealth management conversation with prospective new clients or current tax clients can be tricky. The easiest way has been determined to lead with taxes by using what you already know about the client to your advantage. The 1040 Analyzer can help you do just that – build confidence and trust early in the relationship by discussing wealth management opportunities based on client tax-return information.

Capital Gains Analyzer™

Strategically developed with a focus on year-end planning opportunities, the Capital Gains Analyzer quickly collects, organizes and calculates available mutual fund capital gain distribution estimates and their potential year-end tax impact. The Capital Gains Analyzer enables Avantax Financial Professionals to focus on planning and tax-optimized decisions rather than data gathering.

Social Security Planner™

While Social Security typically is a fundamental component of a client's retirement plan, the benefit claiming options available often can be quite complex and confusing to the average retiree. The Social Security Planner can show a client a comprehensive analysis of their Social Security benefit claiming options, thus enabling them to make an informed decision that supports their retirement goals.

Tax-Loss Harvester™

The Tax-Loss Harvester™ is designed to help Financial Professionals uncover tax-loss harvesting opportunities throughout the year and scale this unique capability across their business. Designed exclusively to work in the background, the Tax-Loss Harvester can quickly identify securities with unrealized gains or losses for potential harvesting opportunities.

To access and use any of the TSI suite of solutions, you must complete a training video on each solution in the Learning Center on myAvantax.com; once training is completed, access to the tool will be granted within 24 to 48 hours. If you don't' have access within 48 hours of completing training, please contact the **TSI team** for assistance.

Communicating Your Value to Clients

Leveraging the Avantax Tax Alpha Report

As you utilize your tax expertise and technology throughout the year, taking the time to effectively communicate the taxes you have saved clients is another step that can make you stand out as the Financial Professional of choice.

The Tax Alpha Report, available within the Tax-Loss Harvester™ tool, is available only to Avantax Financial Professionals. The report is designed to quantify and visually represent to clients the impact of tax-intelligent decisions and recommendations you make throughout the year. The ability to show the value your tax-intelligent planning provides will help you stand out from competing firms, solidify lifelong relationships and ensure the needs and goals of your clients can be met more successfully by taking taxes into consideration within the financial planning process unique to each client.

Getting Started

Introducing the Avantax Intelligent Planning Approach to Clients

The financial benefits of Avantax Intelligent Planning might seem obvious to us, but still pose a challenge when talking to clients and prospects. To help you introduce the tax-intelligent approach to financial planning and wealth management with your clients, we have developed some talking points and discovery questions.

Discovery questions

Sometimes opening with a few questions is an effective way to find out more about the prospect and spark a deeper conversation. A few ways to start:

When the person already is your tax client but not yet a wealth management client:

- Do you currently work with a Financial Professional – a wealth manager or financial planner?
- Tell me what you look for in a Financial Professional?
- If they have a Financial Professional
    - » Does your Financial Professional discuss the tax implications of various recommendations, including investments?
    - » Have they addressed Required Minimum Distribution (RMD) strategies and legacy planning with you?
    - » When is the last time your Financial Professional reached out to you (or how often does your Financial Professional meet with you?
- If they do not have a Financial Professional
    - » How are you making investment and financial planning decisions?
    - » Are you aware of the tax implications of investment and financial planning decisions?

When the person is not your tax client:

- Do you currently work with a tax professional or a CPA?
- Tell me what you're looking for in a Financial Professional?
- Has your CPA talked to you about the impact of taxes on your investments?
- Do you currently have an advisor? If so, do they include tax planning as part of their plan?
- Did you have to pay taxes last year?
- You're already in a high-income bracket. Are you still contributing to a 401(k)?
- How important is building a legacy to you?
- I see you're nearing the point when you'll need to start taking RMDs. Do you have a strategy if your income bumps you into a higher tax bracket?

Managing Objection and Responses

Sometimes prospects are ready to say "no" before they've even thought about the question. A few responses to help you get past some common hurdles:

"I do my own investing."

Suggested response: "It's great you've taken that step, but tax-centric investing can be incredibly complicated. Even questions such as which assets to keep in brokerage accounts versus retirement accounts can make an impact. You need the benefit of an advisor who's equally knowledgeable with taxes and wealth management to help you plan for a comfortable retirement.

"My accountant handles my tax stuff."

Suggested response with any client using a different tax professional: "Your accountant is already aware how important taxes are when investing, but it's not their job to know all the tax-intelligent strategies available as part of a comprehensive plan. I can work with your accountant so that together we can provide a holistic solution."

Suggested response with retired client: "Now that you're retired, it's more important than ever to have a Financial Professional with a strong understanding of taxes to minimize liability and generate enough income to meet your retirement goals."

Introducing Clients to Comprehensive Tax-Intelligent Financial Planning

We've mapped out a comprehensive approach for every aspect of a client's financial plan that can be introduced as part of the client planning process. Each offering is a core component of a comprehensive plan.

Avantax Intelligent Planning Definitions

TAX-FOCUSED INVESTMENT STRATEGIES

Navigating the markets requires having an investment portfolio that serves as a reflection of your risk tolerance, time horizon and liquidity needs. But there is an additional step to ensure the returns you earn are not eroded by taxes. Having an investment strategy that meets your financial goals and minimizes your tax liability is going to be paramount to your overall financial plan.

RETIREMENT PLANNING AND WITHDRAWAL STRATEGIES

While retirement may start in the later stages of life, the dreams of retirement start much sooner. The earlier retirement needs are identified and addressed, the more likely you will realize those dreams. Planning for both the accumulation and withdrawal stages of retirement requires consistency, discipline and accounting for the tax implications of saving and spending in retirement.

FAMILY RISK MANAGEMENT

Every financial plan has potential risks associated with it – risks that can become prevalent when life happens. It is important to mitigate those risks so the financial plan, and your family, does not suffer because of those catastrophic life events.

BUSINESS PLANNING

Most businesses in the U.S. are not run by corporations, but rather families. Planning for contingencies in running a business allows for both employer and employee to succeed financially, especially during times where the focus is on the day-to-day operations as compared to the company vision. Contingencies include business growth, business continuity, employee retention and tax savings.

LEGACY PLANNING

How do you want to be remembered? Legacy planning comes down to being able to ensure your wishes, values and priorities are upheld throughout life. Whether it is through education, charitable giving or trust planning, building a legacy can ensure the next generation(s) of your family are supported.

EDUCATION PLANNING

Despite increasing tuition costs and debate around attending college, education planning can be one of the easiest financial hurdles to overcome. With recent tax-law changes, education planning is not limited to college. It is important to discuss the educational options for both children and grandchildren, and see how these options can affect cash flow, debt management and estate tax planning.

CASH FLOW MANAGEMENT

The concept of cash-flow management boils down to one thing – how much are you saving versus how much are you spending? Having a plan where your savings and spending choices reflect your values and priorities can positively affect your financial plan. Having a clear picture of monthly inflows and outflows can lead to informed decisions on other aspects of planning for you and your family.

Conversation Starters

Sometimes it can be hard to shift clients from thinking purely about investment needs and market performance, but a comprehensive plan is much more likely to help them reach their goals. Whether you're meeting with a new client or expanding your services, we've included a few talking points to help get the conversation started.

"Sure we can help you with investments, but that's only half the battle. Without a comprehensive strategy for reducing taxes, handling life's milestones and planning for retirement, you may not be prepared to live the life you want in retirement."

"You can find a lot of investment advice online, but when you partner with us to develop a comprehensive plan, we can uncover ways to help you meet your goals that you might not have considered. Our deep knowledge of investment and retirement strategies, including preparing for life's milestones and addressing financial challenges, can make all the difference."

"Handling your own investments might make sense when you're just starting out, but once you start investing in the market and planning for loved ones, things get complicated quickly. With a comprehensive plan, we can look at your finances from every angle and develop a plan to help maximize your wealth and meet your goals."

After introducing clients to the concepts of both tax-intelligent planning and comprehensive financial planning, you can put the two together for tax-intelligent comprehensive financial planning. The combination of tax-intelligent focus and the comprehensive approach to addressing client needs provides the best approach to help client maximize the chances of reaching their goals.