

# Helping Investors Pay Less After Big Wall Street Bets

Direct indexing can help advisors demonstrate their value to a wide range of clients—even the ones who have been going it alone.



## How can investors work toward reducing the tax bills resulting from their largest and highest-performing positions?

**INVESTOR:** Active trader | Works for a major tech company | Skeptical of financial advisors

### CHALLENGE

The client invested in an electronics retail stock that became a popular trade among new investors on social media. After some time, the client's shares increased significantly in value, which would result in a heavy capital gains tax bill were they to sell out of the position. A parent referred the client to their own longtime advisor, which specialized in working with tech executives. The advisor worked with a direct indexing provider to offset the taxable gain by generating losses from a more diversified portfolio.

### SOLUTION

Over the course of the year, the advisor helped the client generate substantial losses from the sale of their concentrated position while keeping their portfolio within the desired tracking error of their chosen benchmarks. Despite many equity indexes rising 20% or more that year, the client only paid a portion of the original taxes on the gains they weren't able to write off.



### FACT

Highly concentrated positions are a common problem for high-net-worth investors, particularly when their advisor relationships begin. Many of these concentrations come from equity in a longtime employer, at times a company the investor themselves was involved in founding. Others come from a loved one's bequest, provoking a sentimental attachment. But what makes these positions especially challenging is their typically low cost basis, which makes them difficult to unwind without significant tax penalties. Direct indexing is one of a very few ways for investors to trim highly appreciated positions in a tax-efficient manner.

Parametric's custom separately managed account (SMA) strategies are designed to give investors the choice, control, and confidence they need to take charge of their financial futures.

**\$169B**

Customized SMA  
solutions AUM

**50k+**

SMA's under  
management

**30+**

Years of tax  
management experience

As of 3/31/2023

Learn more about Parametric's [direct indexing solutions](#).

[Contact your Parametric representative](#) to get started with direct indexing.

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