



Jeremy Milleson



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Crafting the Future of Tax-Efficient Investing

An Interview with Jeremy Milleson,
Director, Investment Strategy, Parametric



Jeremy Milleson

Jeremy Milleson is Director of Investment Strategy at Parametric, where he leads the custom core team, designing personalized, tax-smart equity strategies. With over 20 years in finance, he combines deep technical expertise with a passion for innovation.

From his early days at Banc of America and Bernstein to teaching economics at the University of Washington, Jeremy has always championed learning. Since joining Parametric in January 2012, he's helped clients navigate complexity with clarity and purpose.



A Journey in Custom Core Strategy

My journey began in 2000 at Banc of America Investment Services, followed by a role at Bernstein Investment Research and Management. In search of a broader perspective, I pursued graduate studies at the University of Washington, where I also had the opportunity to teach economics. I've always believed that learning is key to growth, both professionally and personally.

I joined Parametric over 13 years ago, initially as a portfolio manager focusing on direct indexing. After six years, I transitioned into strategy, and today I'm proud to lead the Custom Core Strategy group, which manages Parametric's tax-managed equity solutions. Our goal is to help clients build portfolios that not only reflect their financial goals but also align with their values and vision for the future.

The Evolution of Direct Indexing

When I first joined Parametric, direct indexing was already well-established, but it still felt like the early days. Many investment advisors were still in the process of understanding its potential, and the conversations we had were relatively straightforward. Over the years, however, that's changed dramatically.

Direct indexing has evolved from a niche strategy to a cornerstone of modern portfolio design. Today, it's much more than just equities—it's being applied across multi-asset strategies, fixed income, and active overlays. Clients are increasingly seeking customized solutions that align with their values, including factors like ESG (Environmental, Social, and Governance) criteria.

What really stands out to me is the role tax management plays in this evolution. In the early days, many clients were just beginning to explore its benefits, but now tax management is

central to the discussion. It's become clear that clients demand more complex, tailored solutions, especially as the direct indexing space grows.

Balancing Risk and Tax: A Strategic Trade-Off

One of the most common challenges I encounter in portfolio construction is balancing risk with tax impact. The flexibility offered by direct indexing is incredibly powerful, but it often involves trade-offs between risk (measured by tracking error) and the tax costs associated with transitioning assets.

More than half of the new accounts we manage are funded in kind, which means clients can transfer existing holdings into a separately managed account without triggering large tax bills. This gives us a strategic advantage compared to traditional mutual funds or ETFs, where clients might have to liquidate their portfolios and incur immediate taxes.

The big question we face is whether clients are willing to accept higher tax costs upfront in exchange for immediate risk reduction, or if they'd prefer to phase the transition in a way that preserves more capital in the long run. Over my time at Parametric, we've worked hard to structure portfolios in a way that is tax-neutral from day one. Then, we focus on reducing tracking error gradually, optimizing for both cost and risk over time.

After-Tax Returns

When we talk about investment returns, the conversation often centers on pre-tax results. But in my experience, it's the after-tax returns that truly define investor outcomes. In traditional mutual funds, for example, capital gains can be generated even in down markets, and active strategies can often be inefficient due to high turnover rates.

Direct indexing provides a powerful alternative by closely tracking benchmarks and harvesting losses. This allows clients to defer capital gains and improve after-tax performance. What many don't realize is that tax benefits aren't limited to bear markets.

Because direct indexing allows clients to own individual securities, even short-term volatility in a single stock or sector can unlock tax-saving opportunities. This makes the strategy valuable even during market upswings.

Adapting to Policy and Market Shifts

The landscape of tax legislation has shifted recently, with new policies offering more clarity on future tax rates. This is crucial for tax-aware investing, particularly for institutional investors. A key change has been the increase in tax rates for endowments, from 1.4 to 8 percent. This is a significant development, making tax efficiency a priority for institutions, and it opens the door for strategies like direct indexing to make a real impact.

We're also closely monitoring macroeconomic trends, including changes in tariffs and Federal Reserve policy. The April market volatility, for example, demonstrated how quickly conditions can shift, and we must remain nimble and responsive to ensure our clients are positioned for success.

Built for Volatility, Refined Over Time

At Parametric, we've designed our investment process to take advantage of market volatility. Volatility creates opportunities for tax-loss harvesting, and our technology and teams are built to act quickly. Whether it's through intra-wash trades or managing single-name volatility, we focus on delivering after-tax value.

Over the years, our focus has expanded to two key areas: enhancing customization and scaling effectively. As the industry grows, we're continually refining our approach to ensure that we can meet the evolving needs of our clients. We've seen how even short-term market moves can create valuable tax-loss harvesting opportunities, and our goal is to capture those whenever they arise.

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Stay Curious, Keep Growing

One principle that's guided me throughout my career is curiosity. I've always believed that being curious is the key to personal and professional growth. Even after two decades in finance, I'm still learning every day.

Curiosity isn't just about individual growth—it's also about the environment in which you work. I've been fortunate enough to be surrounded by people who share that same drive to learn and innovate. At Parametric, curiosity isn't just encouraged—it's embedded in our culture. That mindset keeps us sharp and ensures that we're always finding new ways to deliver meaningful value to our clients.

I think this is something I would offer to anyone looking to build a career in finance or any other field: be curious, stay open to new ideas, and never stop learning. It's been a guiding principle for me, and I know it's the reason I'm still excited about my work every day. **Is**