remi
by Allspring

Win and Retain Clients With Tax Management

While taxes are known as being one of the few certainties in life, the management of taxes can create opportunities for advisors to protect wealth; support long-term compounding; and, ultimately, improve the lives of their clients. Of course, it's easy enough to recognize this favorable practice from the client's perspective, but it's not always obvious how advisors benefit from incorporating tax management into their broader investment processes.

Maximize after-tax returns for clients, no matter the economic climate

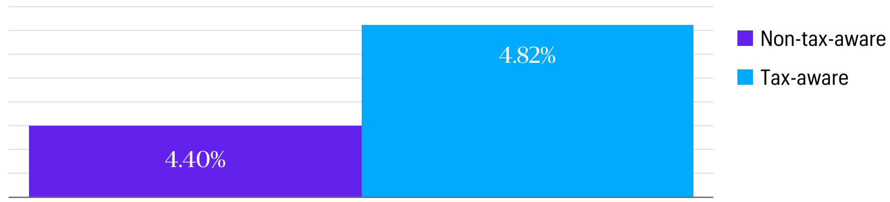
Asset allocation and product selection are the predominant catalysts for alpha generation—on a pretax basis. Inevitably, taxes factor into the equation. By strategically accounting for taxable impacts, advisors can help their clients create tax alpha and maximize net returns (Exhibit 1). That holds true whether the market is up, down, or stable because tax management is an effective practice in all market regimes.

Even during downturns, portfolio activity can trigger capital gains and tax liabilities, exacerbating losses and client apprehension. Therein lies a pivotal opportunity for advisors. By employing active tax management strategies, such as routinely harvesting losses while adhering to wash-sale rules, advisors can deliver value in the absence of market performance.

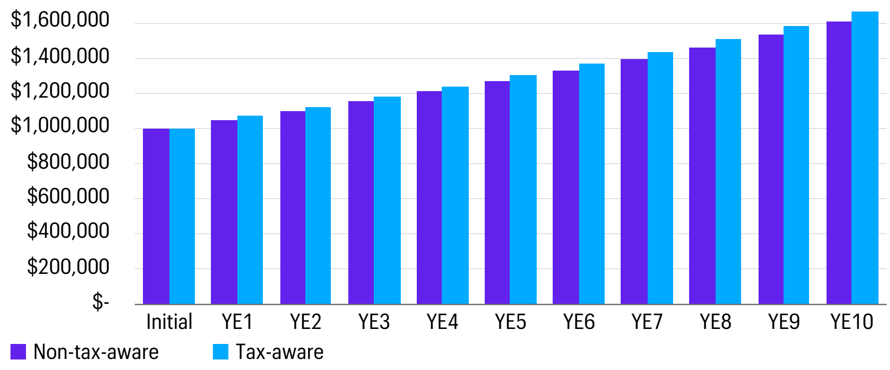
EXHIBIT 1

By implementing tax management strategies like tax-loss harvesting and gain deferrals, after-tax returns can be significantly enhanced. In the example below, the tax-aware strategy adds 0.42% per year, in a $1 million fixed income portfolio with a 10-year investment horizon.[1]

HYPOTHETICAL PORTFOLIO RETURNS DURING UP MARKET (AFTER-TAX, POST LIQUIDATION)



HYPOTHETICAL PORTFOLIO ENDING VALUES DURING UP MARKET



For illustrative purposes only.

1. This chart and the results shown are hypothetical and for illustrative purposes only and do not represent any product managed by Allspring Global Investments. The charts are intended to serve as a general example of a portfolio of corporate bonds with an initial investment of $1,000,000, expected annual total return of 6.7%, expected annual turnover of 30%, coupon rate of 3.8%, short-term tax rate of 40.8%, and long-term tax rate of 23.8%. Tax-aware portfolio values and returns reflect the deductions of tax loss. Non-tax-aware portfolio values and returns do not reflect the deduction of tax loss.

Build trust and differentiate through value-add services

Most investors want more tax management in their portfolios. According to an Orion Advisor Solutions survey, roughly 9 in 10 investors think taxes erode their long-term returns, while 8 in 10 investors believe their advisors should focus on reducing their tax liabilities.[2]

Clearly, tax management is in high demand by investors. To be most effective, taxes should be tended to frequently and opportunistically. In other words, tax management is like landscaping—you can't tend to plants once or twice a year and expect a pristine yard. Occasionally selling depreciated securities to harvest losses falls short of providing true value-add services.

Tax management is also not limited to one technique or intended to be seasonal (i.e., every December). Rather, it's an ongoing, year-round initiative that combines multiple techniques—deferring gains, making tactical cash withdrawals, pinpointing yield-increasing opportunities and harvesting losses—to improve portfolio utility and achieve tax alpha.

Managing taxes manually, one client account at a time, is hard. Managing taxes while balancing unique portfolio risks, preferences, and goals is even harder. However, the challenge of delivering tailored tax services can be a significant competitive edge: Advisors who successfully implement these strategies create additional value for clients and differentiate their offerings from competitors.

> **8 in 10** investors believe their advisors should focus on reducing their tax liabilities.

Enhance the client experience to boost retention, referrals, and leads

The barrier to switching financial advisors is at an all-time low. In the digital age, clients can more easily scrutinize performance, supplemental services, platform capabilities, communication channels, and practically every other facet of financial advisory. In short, they can and often do demand a dynamic, personalized client experience; if they aren't satisfied, they may look elsewhere.

It behooves any advisor to understand this power shift and position their business appropriately. Access to tax-efficient and actively managed solutions were rated as two of the most important factors for clients when evaluating firms, according to a survey by Publicis Sapient and ThoughtLab.[3] Therefore, incorporating continuous tax management can translate to a better, more personalized experience and, consequently, more satisfied clients.

When clients are satisfied, they tend to remain loyal customers, recommend their provider to others, and increase their investments. An Accenture survey found that roughly one-third of clients would invest more with an advisor if they received a hyper-personalized experience.[4]

> **48%** of investors evaluate access to active management and tax-efficient products when selecting providers.

2. https://www.businesswire.com/news/home/20211115005925/en/Orion-Tax-Pulse-Survey-Client-Expectations-for-Tax-Smart-Advice-are-Underestimated-by-Advisors
3. https://www.publicissapient.com/industries/financial-services/digital-wealth
4. https://www.accenture.com/_acnmedia/PDF-162/Accenture-Wealth-Management-Consumer-Report-New-State-of-Advice.pdf#zoom=40

Unlock time to help scale your business

Historically, customizable tax management has been difficult to deliver at scale. For instance, a Cerulli study determined that only 20% of advisors took advantage of ongoing, automated tax management strategies—the rest were more likely to rely on ad-hoc approaches, such as occasional loss harvesting, if anything at all.[5]

Tax management is not commoditized because taxes do not exist in a vacuum. Solving for taxes alone would be simpler, but it's far more demanding to generate returns from an investment strategy perspective and manage taxes according to investor preferences, needs, and constraints—for an entire book of business. To manually administer customized portfolios in a tax-efficient way is exceedingly time-consuming and, thus, unsustainable.

However, with the right SMA partner, advisors can present a comprehensive, continuous, and customizable tax management solution to clients without draining precious resources. In turn, advisors can allocate more time to developing relationships to scale their business.

Meet Remi: Helping financial advisors deliver tailor-made tax-managed solutions at scale

Few providers can deliver systematic tax management at scale.

Remi, Allspring's intelligent separately managed account (SMA) ecosystem, combines proven investment expertise with powerful and proprietary technology to deliver truly tailor-made, tax-optimized SMAs to clients. By leveraging Remi's capabilities, advisors can deliver value-add solutions to exceed client expectations and, as a result, scale their businesses—all without shouldering the burden of manual tax management.

JOIN THE EVOLUTION

30+
years SMA investment experience

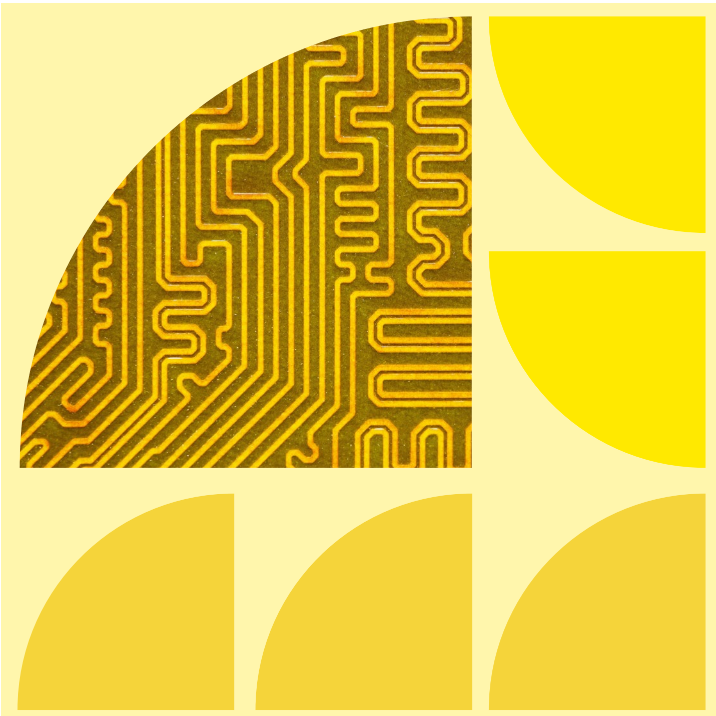
$63.1B
total managed account assets[6]

10th
largest SMA provider[7]

5. "The Cerulli Report—U.S. Managed Accounts October 2021"

6. As of March 31, 2023, inclusive of asset under advisement.

7. Cerulli's league table, as of December 31, 2022.



Unlocking smart outcomes

Ready to explore Remi's possibilities?

We want to help clients build for successful outcomes, defend portfolios against uncertainty, and create long-term financial well-being. To learn more, investment professionals can contact us:

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