

Organize Your Investments to Maximize Tax Efficiency

This is an extra resource to go along with the original article:
9 FAQs About Paying Taxes on Investment Income

Investors can hold investments in many different types of accounts, including tax-deferred accounts like Traditional IRAs and 401(k)s, and Tax-Exempt like Roth IRAs and Roth 401(k)s. By placing the right investments in the right accounts, investors can enhance their after-tax returns.

ASSET CLASS	SECURITY	TAX TREATMENT	TAXABLE	TAX-DEFERRED (IRA)	TAX-EXEMPT (ROTH)
BONDS	Tax-Free Muni Bonds	Exempt	★★★★★	X	X
	Taxable Bonds and Bond Funds	Ordinary Income	★★	★★★★★	★★★★★
EQUITIES	Long-term Growth Equities	Long-term Capital Gains	★★★★★	★★★	★★★
	Equity Index Funds or ETFs	Long-term Capital Gains	★★★★★	★★★	★★★
	Tax-Managed Mutual Funds	Long-term Capital Gains	★★★★★	★	★
	High Turnover Equity Funds	Ordinary Income	★★	★★★★★	★★★★★
ALTERNATIVES	OPTIONS & Other Derivatives	Ordinary Income	★★	★★★★★	★★★★★
	Real Estate Investment Trusts (REITs)	Ordinary Income	★★	★★★★★	★★★★★
	Master Limited Partnerships (MLPs)	Ordinary Income	★★	★★	★★
ACCOUNT TYPE	CONTRIBUTIONS	DISTRIBUTIONS	INVESTMENT GAINS		
Tax-Deferred (IRA)	Pre-Tax	Ordinary Income	Ordinary Income when withdrawn		
Tax-Exempt (ROTH)	After-Tax	Tax-free	Tax-free		

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