

# Transition Service For Taxable Accounts

## Unlocking Taxable Client Accounts

Whether it's the addition of new client assets or changes to existing strategies or managers, migrating taxable client portfolios is a major part of your business today. Effectively minimizing the tax liability while managing the portfolio risk is an important element of the value you offer clients — your **advisor alpha**.

The recent bull markets have added significant embedded gains to taxable accounts. This “good news” further complicates the migration process. The gathering of the “low-hanging fruit” by harvesting available losses and netting them against positions with gains is a common first step. However, after the initial netting process, these transitional accounts often still hold sizable embedded gains. **All progress stops!** Completing the transition would create an unacceptable tax liability for your client. The assets — and perhaps the entire client relationship — is stuck.

There's a better way forward... an engineered process we call the Adhesion's Taxable Account Transition Service.

Adhesion's Taxable Account Transition Service effects a **tax-efficient transition** into the target portfolio while at the same time **preserving the target risk profile**.

## Adhesion's Taxable Account Transition Service

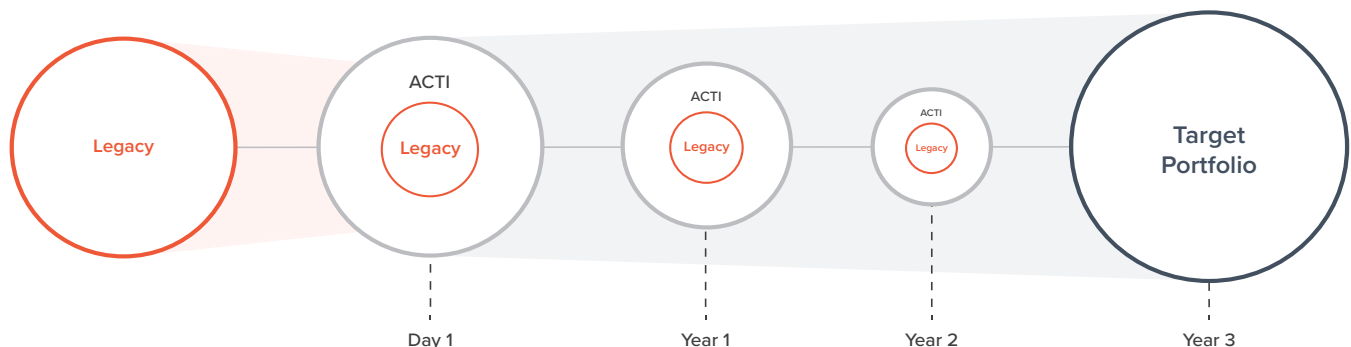
Advisors working with Adhesion have found this service a very effective mechanism for unlocking assets and client relationships stuck due to unacceptable tax liabilities from a straight transition. Our engineered process constructs a custom transition program for each client's account — implementing a phased, tax-budgeted transition around a direct-invested index customized specifically to achieve the target risk profile for each account.

Advisors find that this service gives clients a clearly communicated process that demonstrates their added value through planning, tax budgeting, risk profiling, and progress reporting. (See graphic on next page for overview).

## Spread The Tax, Manage The Risk

An Adhesion Taxable Account Transition is a phased transition that spreads the capital gains tax liabilities in amounts and over a time period that are based on the client's gains tax budget. An aggressive loss harvesting program is executed within an Adhesion Customized Transition Index (more on this shortly) to work out the legacy positions while maintaining a specified risk profile. At the end of this period, most, if not all, legacy positions have been transitioned into the target portfolio.

## Our Adhesion Customized Transition Indexes (ACTI) Incorporate Legacy Holdings During a Phased Transition



# Adhesion Customized Transition Index (ACTI)

**ACTI** is a direct invested index optimized to track a major market index (e.g., S&P 500® or Russell 3000®) while incorporating the legacy positions for transition. By tracking to this market index, the advisor can then model the client's total portfolio around this component of known size and risk.

Within ACTI, clients own individual equity holdings in a separate account structure. This allows losses to be harvested opportunistically and passed through to offset gains.

As legacy positions are liquidated, the remaining ACTI holdings are re-optimized to maintain acceptable tracking to the index.

**ACTI** is optimized for each client to deliver a portfolio component of defined risk and return while effecting the disposition of legacy positions.

## A Customized, Client-Centric Process



## Learn More

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