remi
by Allspring

Direct indexing: Unlocking SMArt Possibilities

CLIENT OPPORTUNITY

Transition away from a concentrated stock position to a direct indexing SMA

Converting to a tax-aware, personalized portfolio offers a compelling solution

Client scenario:

An investor holds a substantial amount of company stock. They are seeking to reduce their concentrated exposure and transition to a diversified stock portfolio, excluding the company stock as a holding.

Goals:

- Reduce single stock concentration risk
- Enhance portfolio diversification
- Increase after-tax returns

Challenge:

- Create a personalized portfolio composition to meet new goals (Direct Indexing SMA: Large Cap Equity minus company stock)
- Increase the tax efficiency of the portfolio
- Create an effective transition plan

Solution:

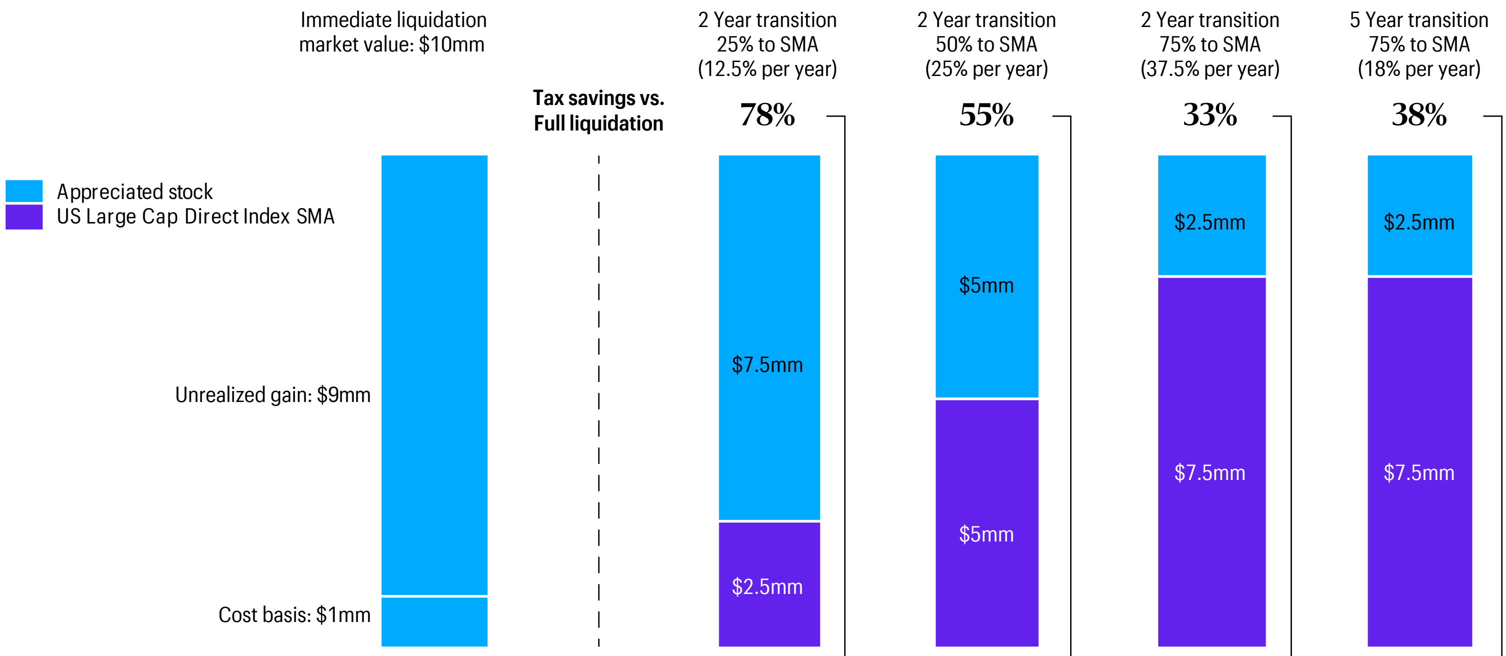
- Execute an effective exit and transition plan
- Utilize a systematic transition process to move to a customized SMA specifically designed to meet the clients' needs
- Fund a personalized, cost-effective, and tax-efficient direct index SMA

Implementation:

Selling the entire position of the company stock all at once may leave the investor with a relatively high taxable capital gain. In order to mitigate this, the investor may prefer a gradual approach in order to minimize the overall tax burden. As holdings in the stock are being liquidated, proceeds can be used to fund the new direct indexing SMA strategy which is tailored to address the specific needs of the client.

Results in more than **50%** average tax savings

POTENTIAL TRANSITION OPTIONS OVER TIME

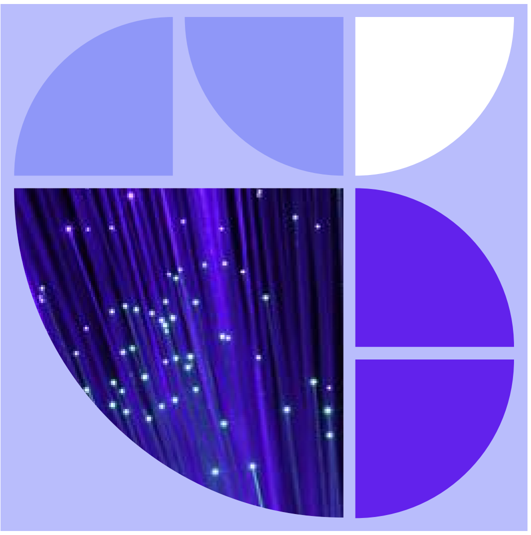


	Immediate liquidation	2 Year transition 25% to SMA	2 Year transition 50% to SMA	2 Year transition 75% to SMA	5 Year transition 75% to SMA
Stock realized gain	9,000,000	2,250,000	4,500,000	6,750,000	6,750,000
Stock tax liability	2,142,000	535,500	1,071,000	1,606,500	1,606,500
Direct index harvested losses	0	**237,500**	**475,000**	**712,500**	**1,162,500**
Net tax liability		478,975	957,950	1,436,925	1,329,825
Tax liability reduction vs. Full liquidation		**1,663,025**	**1,184,050**	**705,075**	**812,175**

Source: Allspring Global Investments. Illustrative purposes only. The illustration provided is hypothetical and assumes that all gains and losses are long-term, taxed at the highest current rate (23.8%), inclusive of the additional net investment income tax of 3.8%. State income taxes are not reflected in the illustration. Key assumptions in the illustration include (1) there are no separate tax lots in the appreciated stock holding, (2) capital deployed in the US large-cap direct indexing strategy at the beginning of each annual period generates losses equal to 7.5% of portfolio value in the first year, 4% in the second year, and 2.5% in each subsequent year, (3) stock and portfolio values are held constant, in other words, we assume no stock or portfolio appreciation or deprecation over the transition horizons and (4) there are no management fees or transaction costs. Actual gains and losses will vary depending on specific circumstances and the market environment.

New portfolio benefits:

- Reduced concentration risk
- Enhanced and ongoing tax-management, creating greater tax alpha potential
- Increased portfolio flexibility, customization, and personalization



Direct indexing with Remi

Remi is Allspring's intelligent solution for personalizing separately managed account portfolios—powered by technology, research, human insights, and systematic tax management. Remi combines Allspring's proven investment expertise with powerful and proprietary technology to deliver truly tailor-made, tax-optimized, and cost-effective multi-asset portfolio solutions.

Investors may choose from multiple investment options with Remi. If you are seeking to build a systematic, tax-efficient, personalized direct indexing investment portfolio, Remi delivers.

Interested in learning more? Go to Allspringglobal.com/remi.