

Direct indexing: Unlocking SMARt Possibilities

CLIENT OPPORTUNITY

Transition proceeds from the sale of a business to a direct indexing SMA

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



Client scenario:

The investor is seeking to sell their privately-owned business in the coming years. They would like to use the proceeds from the sale to invest. The investor's main priorities are to reduce the tax impact and maximize net proceeds from the sale by leveraging capital losses while protecting and growing wealth in a tax-efficient manner.



Goals:

- Protect wealth
- Grow wealth
- Reduce tax liabilities



Challenge:

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



Solution:

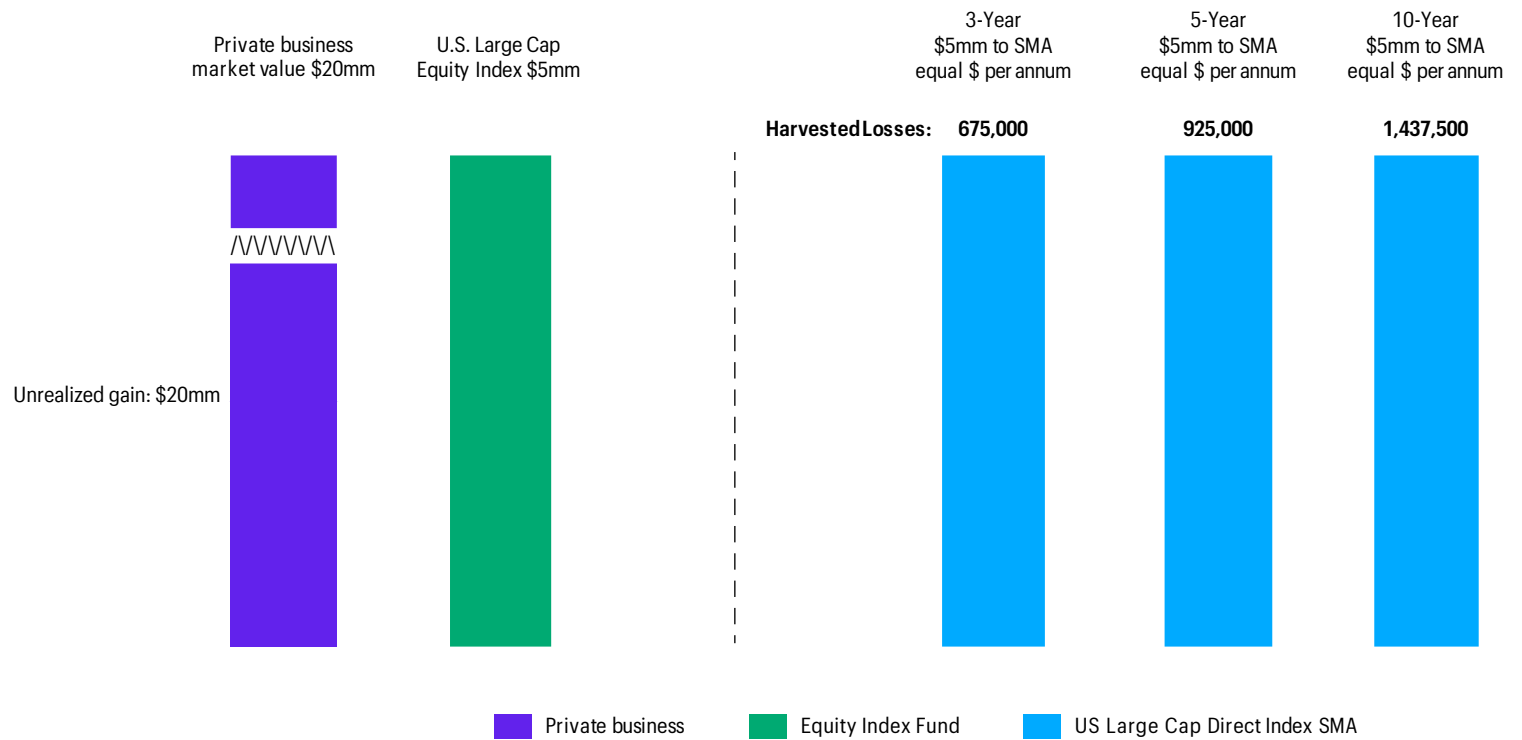
- Execute an effective transition plan
- Utilize a systematic transition process to move to a customized SMA specifically designed to meet the client's needs
- Fund a personalized, cost-effective, and tax-efficient equity direct indexing SMA

Implementation:

Because the proceeds of the business sale are not yet available, we encourage clients to rethink their public markets equity holdings. They are seeking the most effective way to reduce their tax burden while also funding a SMA portfolio. A direct index SMA account can create a bank of capital losses that may be used to offset future gains. The investor may also systematically fund positions over time in order to minimize the overall tax burden.




Results in more than **\$1M** in average harvested losses

POTENTIAL TRANSITION OPTIONS OVER TIME



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) substantial wealth has been accumulated in a private business, and the investor also has a large global equity index holding, (2) capital deployed in a globally oriented all-cap direct indexing strategy at the beginning of each annual period generates losses equal to 8.5% of portfolio value in the first year, 5% in the second year, and 3.5% in each subsequent year, (3) company and portfolio values are held constant, in other words, we assume no portfolio appreciation or depreciation 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:

-  Enhanced and ongoing tax-management, creating greater tax alpha potential
-  Greater diversification with large-cap equity exposure and growth 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.

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