

The Value of Tax-Smart Investing: *It's not what you make, but what you keep, that matters*

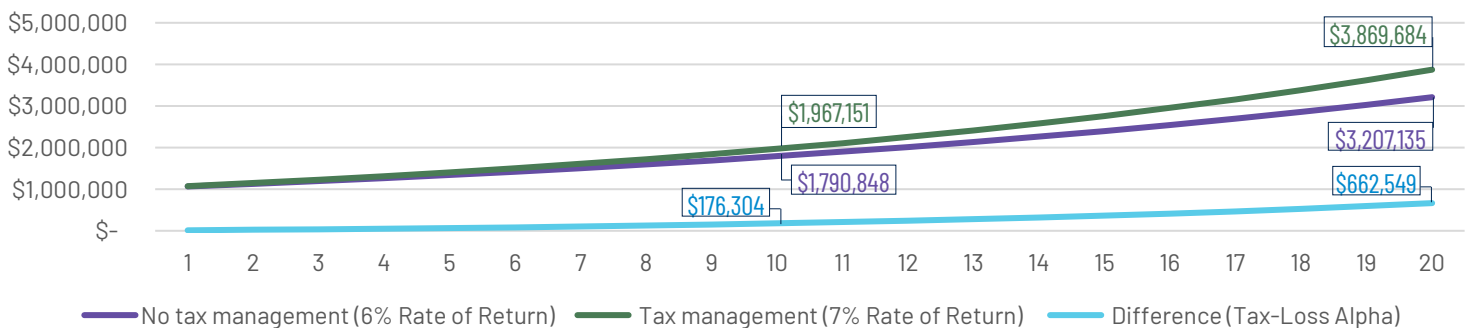
If left unmanaged, taxes can eat into your investment returns and leave you with less for your long-term goals.

There is a lot of talk about "Alpha" when it comes to investment returns, but have you considered "Tax Alpha"? This is the outperformance that an investor can achieve by taking advantage of all available tax-saving strategies.

Tax loss harvesting is one such strategy used to minimize capital gains. This is accomplished by selling an investment position that is down to offset capital gains elsewhere in the portfolio – potentially lowering your tax obligation for that year.

Studies have shown that utilizing this technique can deliver an average of 1.08% Tax Alpha per year.**

Empirical Evaluation of Tax-Loss Harvesting Alpha Example - Original Investment = \$1,000,000



Source: An Empirical Evaluation of Tax-Loss Harvesting Alpha - Shomesh E. Chaudhuri, Terence C. Burnham, Andrew W. Lo: January 26, 2020. ** Past Performance is no guarantee of future results. Returns are shown for illustrative purposes only and are not indicative of RiverFront portfolio results. The above chart is a mathematical illustration, intended to demonstrate the effects of tax loss harvesting. It is not a representation or indication of account performance.

55ip's Tax-Smart Transition Technology

Once the sole domain of ultra-high net worth investors, advances in technology have made tax-loss harvesting techniques more broadly available. Baird has partnered with RiverFront Investment Group and 55ip, a fintech firm, to deliver tax smart solutions for their clients.

During periods of volatility, tax-smart investing enables advisors to do more for their clients than simply help them "stay the course." With 55ip's ActiveTax Technology®, our goal is to offer a solution that makes moving to an updated investment strategy more tax-efficient, if appropriate for the investor, while seeking to enhance after-tax returns through a systematic approach to tax-loss harvesting.

3 Ways You Can Ease Tax Burden Using 55ip

- ▶ **Tax-smart transitions:** Minimize taxes when moving existing holdings to a model portfolio through the use of Tax Loss Harvesting. Investors can realize losses, when it makes sense, to offset some or all of the taxable gains from other parts of your portfolio.
- ▶ **Tax-smart Ongoing Management** – Create tax savings in an effort to increase after-tax return potential through automated, systematic tax-loss harvesting.
- ▶ **Tax-smart Withdrawals** – When it's time to draw on your investments for income, determine how to meet your income and tax needs in a tax-efficient way.



Consider This Approach if You:

- ▶ Are interested in finding alternative ways to increase investment returns
- ▶ Fall in a high tax bracket or are concerned about rising taxes
- ▶ Own assets that have gone up significantly in value and are concerned about capital gains
- ▶ Think your current portfolio is no longer a good fit
- ▶ Own taxable investment accounts

RIVERFRONT SOLUTIONS

ETF Advantage

OUTCOME BASED SOLUTIONS BUILT AROUND INVESTMENT TIME HORIZON & RISK TOLERANCE

BALANCED SOLUTIONS	TIME HORIZON	INVESTMENT OBJECTIVE	GOAL / RISK TOLERANCE	
<i>ETF Advantage Moderate Growth & Income</i>	5-7 Years	Growth of capital with an equal emphasis on growth of income.	SUSTAIN / More Conservative DISTRIBUTE / More Conservative	
<i>ETF Advantage Dynamic Equity Income</i>	7-10 Years	Income and growth primarily through investments in equities.	SUSTAIN / More Aggressive DISTRIBUTE / More Aggressive	

Strategies seeking higher returns and thereby greater allocations to equities will also carry higher risks and be subject to a greater degree of market volatility.



FIXED INCOME



EQUITIES

All investments in securities, including this portfolio, include a risk of loss of principal (invested amount) and any profits that have not been realized. Markets fluctuate substantially over time, and have experienced increased volatility in recent years due to global and domestic economic events. Performance of any investment is not guaranteed. In a rising interest rate environment, the value of fixed-income securities generally declines. Diversification does not guarantee a profit or protect against a loss. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability. Please see the end of this publication for more disclosures. There is no guarantee the tax loss harvesting strategy will generate the desired tax savings or that investments made will generate gains or losses as anticipated. RiverFront does not offer tax, legal or accounting advice.

For more information, contact your Financial Advisor or your RiverFront Sales Representative at 866-583-0744 or visit riverfrontig.com.

**An Empirical Evaluation of Tax-Loss Harvesting Alpha - Shomesh E. Chaudhuri, Terence C. Burnham, Andrew W. Lo: January 26, 2020. Evaluating the magnitude of this "tax alpha" using historical data from the Center for Research in Securities Prices monthly database for the 500 securities with the largest market capitalization from 1926 to 2018. Given long- and short-term capital gains tax rates of 15% and 35%, respectively we find that a tax-loss harvesting strategy yields a tax alpha of 1.10% per year from 1926 to 2018. When constrained by the wash sale rule, the tax alpha decreases from 1.10% per year to 0.85% per year.

Important Disclosures:

Opinions expressed are current as of the date shown and are subject to change. Past performance is not indicative of future results and diversification does not ensure a profit or protect against loss. All investments carry some level of risk, including loss of principal. An investment cannot be made directly in an index.

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Principal Risks:

ETFs are subject to substantially the same risks as those associated with the direct ownership of the underlying securities owned by the ETF. Additionally, the value of the investment will fluctuate in response to the performance of the underlying index or securities. ETFs typically charge and/or incur fees in addition to those fees charged by RiverFront. Therefore, investments in ETFs will result in the layering of expenses.

Dividends are not guaranteed and are subject to change or elimination.

Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero). Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.

Changes in the value of foreign currencies compared to the US dollar may affect (positively or negatively) the value of the portfolio's investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer's home country. Also, the value of the portfolio may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the US dollar, and devaluation may occur subsequent to investments in these currencies by the portfolio.

Foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the US and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-US securities. Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

In a rising interest rate environment, the value of fixed-income securities generally declines

For each outcome category (accumulate, sustain and distribute) RiverFront's portfolio management team has assigned one or more RiverFront product(s) based on their assessment of the product's investment objective as it relates to a typical client's return and risk objectives when seeking investment outcomes of accumulating wealth, sustaining wealth and distributing wealth. The team has also designated RiverFront product alternatives for those clients looking to take more or less risk with the outcome category. The 'more aggressive' (or more risk) alternatives will generally have greater equity and international exposure as well as longer time horizon targets, while those designated as 'more conservative' (or less risk) will have fewer equities, a lower exposure to international and shorter time horizon targets. Since the risk assessments are dependent on the outcome category selected, RiverFront products may fall in multiple categories. All investments carry a risk of loss and there is no guarantee that an investment product or strategy will meet its stated objectives.

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