SEI LifeYield Tax Harvesting

"SEI LifeYield's tax-smart retirement income methodology can provide up to 33% more after-tax income over a 15-year pre-retirement and 25-year retirement period."

- Ernst & Young

The benefits of tax-*loss* and tax-*gain* harvesting

Tax-*loss* harvesting is the process of selling stocks, ETFs, mutual funds, or other securities at a loss to offset capital gains when selling other investments.

Tax-*gain* harvesting is the opposite, where winning investments are sold to realize capital gains.

Both strategies can be beneficial to investors, advisors and firms, so it's important to have a complete tax harvesting solution that considers all taxable *and* non-taxable accounts. When applied to a portfolio of multiple accounts with different tax treatments, a comprehensive tax harvesting solution can improve financial outcomes considerably.

The Challenge

Offsetting income or capital gains is a tedious process. It typically involves multiple spreadsheets of accounts and holdings running through complex formulas and macros to identify and organize specific trades. Additionally, it can be difficult to identify the most appreciated tax lots for gift giving or what to sell to counteract accumulated losses. Executing this process across a book of clients can take days, or even weeks when done manually.

The Solution

SEI LifeYield's tax harvesting engine is accessible via API and instantly identifies all opportunities to harvest gains and losses across a client's accounts and holdings. When harvesting gains or losses, the engine considers:

Harvest direction: Although tax-loss harvesting to offset capital gains or income is the most common use case, tax-gain harvesting can be used to identify the most highly appreciated tax lots for gifting purposes or charitable donations.

Holding period: Depending on each client's current tax rates, it's important to have a solution that can maximize tax harvesting across any time period – short-term, long-term or any term.

Maximum gain or loss: Set a limit for the total gain or loss produced by security sales while keeping the total value of those sales as small as possible. This is best used when identifying how to offset a specific number of gains or losses.

Maximum proceeds: Put a limit on the total value of all the sales suggested, regardless of gains or losses. It's important to have this lever when the entire transaction needs to stay under a certain dollar amount.

Avoid wash sales: Typically, this is done within taxable accounts only. SEI LifeYield looks at all taxable and non-taxable accounts and identifies any potential wash sales. The advisor can choose either to avoid the wash sale now, or allow the wash sale to happen, assuming the account manager will adjust the cost basis instead.

The SEI LifeYield Tax Harvesting engine pairs with our Rebalancing, Asset Location and Tax-Smart Withdrawal technology to provide a seamless experience applying tax optimization at scale.

Helping investors, advisors and firms improve household tax efficiency.

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