



DIVERSIFICATION 2.0

TAX ADVANTAGE FOR HIGH INCOME EARNERS

RENEWED FOCUS ON TAX EFFICIENCY

Over the past decade, the benefit of tax efficient investment accounts has often been overlooked due to the Jobs and Growth Tax Relief Reconciliation Act of 2003 keeping long term capital gains and qualified dividend rates capped at 15%. However, in 2014 those caps were lifted, which means high-income earners in the top tax bracket can expect to pay capital gains and qualified dividend rates as high as 23.8%. These changes have renewed the focus on tax efficiency within an investment portfolio. The hypothetical example below focuses on how two identical investment portfolios may operate inside of both a taxable and tax favored account in this new tax environment (net of all fees and expenses of the various account structures).

TAXABLE VS. TAX FAVORED

The study to the right compares an identical investment funded by dollar cost averaging \$24,000 a year into both a taxable and tax favored vehicle. Although the tax favored vehicle has a moderately higher cost structure, it also has the potential to provide more tax deferred investment growth, which in our hypothetical example allowed it to **outpace the taxable investment by 45%** (net of additional expenses) over a 24 year time period using historically back tested data.

Historical back testing is based on a 50/50 balanced portfolio with annual turnover of 25%.

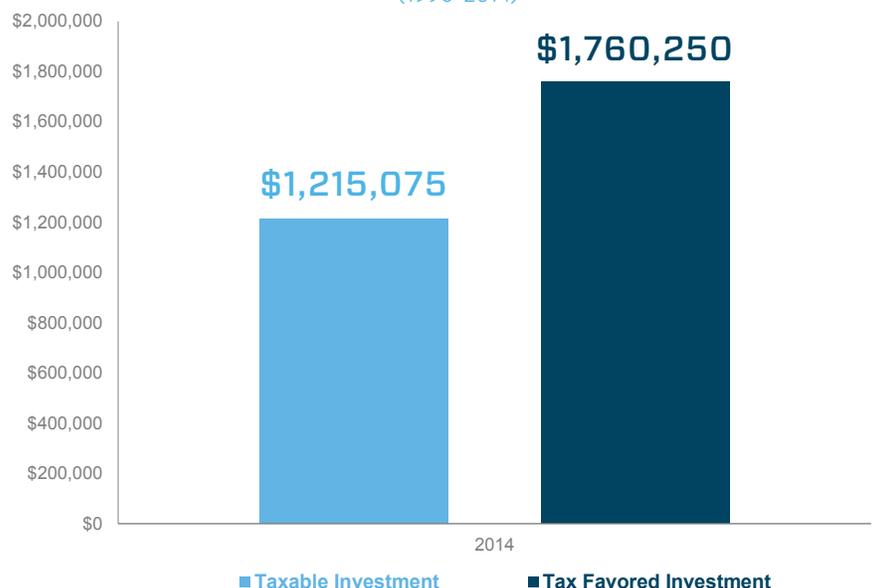
Taxable

- TODAY: Contributions are made with after-tax dollars
- ↓ DEFERRAL: Tax liability based on investment selection
- DISTRIBUTION: Potential capital gains or ordinary income
- ↑ FLEXIBILITY: Maximum accessibility

Tax Favored

- TODAY: Contributions are made with after-tax dollars
- ↑ DEFERRAL: Grows tax deferred
- ↑ DISTRIBUTION: Generally tax-free income
- FLEXIBILITY: Limited accessibility

SNAPSHOT OF ENDING ACCOUNT VALUE (1990-2014)



This is a hypothetical example for illustrative purposes only. This is not intended to represent or predict the performance of any particular investment. Past performance is not an indicator or guarantee of future results. Any tax advice contained herein is general in nature. Please consult with a tax professional before implementing any of the above ideas. Securities Offered Through ValMark Securities, Inc. Member FINRA, SIPC Investment Advisory Services Offered Through ValMark Advisers, Inc. an SEC Registered Investment Advisor. 130 Springside Drive, Suite 300 Akron, Ohio 44333-2431* 1-800-765-5201