Adhesion wealth
A Vestmark Company

Tax Alpha 101

What is Tax Alpha?

Tax Alpha is the value that is added to a portfolio by optimizing tax management strategies, where net dollars saved are expressed as a percentage of the client's portfolio valuation.

Adhesion Wealth's tax overly management services are designed to deliver your clients a tax efficient solution while potentially increasing after-tax returns. These services can be further enhanced through the use of direct indexing strategies.

Why Does Tax Alpha Matter?

Because the stakes have been raised for your most important clients. At today's rates, the tax liability for larger accounts can be significant.

$835K Adhesion Wealth Average Account Size

37% 2020 Tax Rate
Clients with Ordinary Income Over $622,050 Filing Jointly

Actual 4 Year Cumulative Tax Alpha With and Without Direct Indexing

For clients in Adhesion Wealth's Tax Harvesting Program

With Direct Indexing
3.95%

Without Direct Indexing
3.24%

What is a Direct Index?

Direct Indexing attempts to replicate the performance of an index by purchasing the underlying individual equities instead of using an ETF or mutual fund.

Tax Burden Reduction

Demonstrates the amount a client's tax liability was reduced from the exercise of harvesting losses and applying an active tax overlay program.

$23K	$17K	$6K
Average Tax Liability before Tax Management	Average Tax Liability after Tax Management	Average Liability Reduction per Account

Results for the four years ending 12/31/2019. Tax Alpha refers to the actual client tax savings based on Adhesion's tax harvest program using presumed short and long term gain rates. This analysis does not consider outside, non-managed taxable events in the results. This number is cited as a percentage of improvement where the liability reduction is compared to the client's portfolio valuation.

Only clients that were fully enrolled in the Tax Harvesting program for an entire calendar year are considered in these results. Clients that had no starting tax liability (where total losses generated are 'banked' for future tax years) were also excluded from these results.

Tax Alpha is calculated by taking the difference in total liability (taxes owed) for all portfolios managed prior to applying tax management and Tax Harvesting mandates, divided by the portfolio's ending market value. Actual Liability Reduction is calculated by taking the difference in total liability (taxes owed) for all portfolios managed prior to applying tax management and Tax Harvesting mandates, divided by the portfolio's actual post-management tax liability.

ADH–FS/WHAT IS TAX ALPHA/V1–5/20