



DEALS Managed Account Platform

Mitigating the Tax Impact of an Asset Sale

The Challenge

After years of owning their home in a good school district, the clients—a couple looking to downsize—list and sell their home for multimillion dollars of gains. Following the sale, the clients elect to keep the proceeds in short-term U.S. Treasuries for **safety, liquidity, and optionality** as they search for their next place to call home.



Risk Tolerance: The clients express moderate risk tolerance, but **views the home sale proceeds as a conservative base**.



Goal: **Mitigate the tax impact of the sale of their multimillion-dollar home** without disrupting their Treasury allocation.

The Solution

The client's wealth advisor proposes long/short tax-loss harvesting with Quantinno as a solution, specifically the **DEALS Overlay strategy targeting beta zero**. The goals of this strategy include:

- A **market-neutral, uncorrelated return stream**
- **Diversified, balanced long and short extensions**, fully collateralized by the existing account
- Potential for substantial short-term capital losses to offset capital gains from the sale of their home, while remaining in safe assets until ready to invest, **preserving full flexibility for future deployment**

The Outcome

For the first full year of 2025, the strategy generates large short-term capital losses, **reducing a sizeable portion of the taxable gain from the clients' asset sale**. At a 23.8% federal tax rate, this may result in **significant tax savings for the client**.

As a result, the clients' estimated net proceeds from the home sale may increase without modifying their Treasuries. Once ready, the client can start purchasing stocks or ETFs for the underlying portfolio, while leaving the Overlay extensions in place to capture continued tax benefits.

Recap

Tax benefits atop existing exposures

DEALS Overlay can provide tax benefits to mitigate the tax impact of an asset sale while **preserving the existing portfolio allocation**, enabling capital efficiency.

Market-neutral, uncorrelated return

DEALS Overlay seeks to achieve a **market-neutral, uncorrelated return stream and minimize volatility**.

Long-term flexibility

The client can **pause or unwind the Overlay account with minimal disruption to the base Treasury portfolio**. The client can also flexibly modify their base portfolio at any time.



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