



# DEALS Managed Account Platform

## Mitigating the Tax Impact of a Business Sale

### The Challenge

After years of building and growing a successful business, a client—an entrepreneurial business owner—sells their company for a significant sum. After the transaction closes, the client now faces the **dual challenge of deploying substantial new wealth while managing a large capital gain.**



**Risk Tolerance:** Comfortable with business and market risk, the client is open to using **higher leverage** in their personal portfolio.



**Goal:** **Maximize tax efficiency** while maintaining exposure to a **U.S. large/mid-cap equity benchmark.**

### The Solution

The client's wealth advisor introduces them to long/short tax-loss harvesting with Quantinno, specifically the **DEALS Core strategy with exposure to equities.** This structure seeks to provide:

- A **systematic investment approach** aligned with the client's benchmark
- A tightly maintained **tracking error target**
- Potential for significant, immediate tax benefits and further, consistent tax benefits in later years

### 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 client's business sale.** At a 23.8% federal tax rate, this may result in **significant tax savings for the client.**

The client's estimated net proceeds may be substantially more while maintaining market exposure with a benchmark of their choice. Over time, the client opts to reduce the leverage of their portfolio in a tax-neutral manner as they near retirement age.

### Recap

#### Offset a large capital gain

A DEALS Core account funded with cash at higher leverage may harvest large net capital loss in Year 1, **providing significant and immediate tax benefits for those managing liquidity events.**

#### Build an enhanced core equity exposure

DEALS Core seeks to build a **custom enhanced core equity exposure** based on the client's chosen benchmark with **pre-tax alpha and strict risk control.**

#### Maximize long-term tax efficiency

Unlike long-only tax-loss harvesting that may become ossified over time, DEALS Core may generate **consistent tax benefits over long periods of time regardless of market direction.**



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