



Maximizing Tax Efficiency Through Advanced Tax-Loss Harvesting Strategies



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Welcome & Introductions

King Lip, CFA, CMT, Chief Strategist, Partner

King leads the firm's specialized strategies on Concentrated Stock management and Options. King is also a member of the S&P Dow Jones Indices U.S. Index Committee Advisory Panel and a member of BlackRock's RIA Advisory Council. He is a regular commentator on CNBC and has been nominated as a Top 100 Independent Wealth Advisor in Barron's magazine and the San Francisco Business Times. King was named as one of the Top 10 Rising Stars of ETF investing by ETF Report and was named as an expert ETF strategist in the book, "ETF Investment Strategies".

Nick Espiritu, CFP®, Wealth Advisor, Director

With 24 years of dedicated experience in financial services, Nick draws on extensive expertise guiding clients through complex wealth management challenges, including wealth transfer strategies, tax and estate optimization, investments, and comprehensive planning, including a special focus on strategic philanthropy. Nick's commitment is to deliver tailored and customized solutions, ensuring clients can feel confident and secure in their financial health, both now and as their needs evolve.

Moderated by Sonia Khaki, CFA, Wealth Associate

Sonia is an integral member of the Wealth Advisory team. After several years teaching accounting and economics in Johannesburg, Sonia transitioned into finance, earning her CFA designation along the way. She brings a unique perspective, blending her passion for education with the analytical rigor of wealth management.



TODAY'S
DISCUSSION

Purpose. Passion. Performance.

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Baker Avenue Overview

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What Is Tax-Loss Harvesting?

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Benefits & Considerations of Tax-Loss Harvesting

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Baker Avenue Overview

Founded in 2004

Independent, Full-Service Wealth Management, SEC
Registered Investment Advisor, 100% Employee-Owned,
Fiduciary, 98% Client Retention Rate

AUM: \$3.7B
AUA: \$4.0B

In-House Strategies Focused on Low-Cost ETFs and
Individual Securities, Premier Access to Alternative
Investments

Highly
Credentialed Team

Proactive Investment & Wealth Management Team
Credentials: CFA, CFP®, TEP, CIMA®, CWS, CMT, Enrolled
Agent, JD, LL.M

National Presence

Offices in San Francisco, New York, Dallas, Houston, Seattle,
San Diego, Sun Valley, Naples

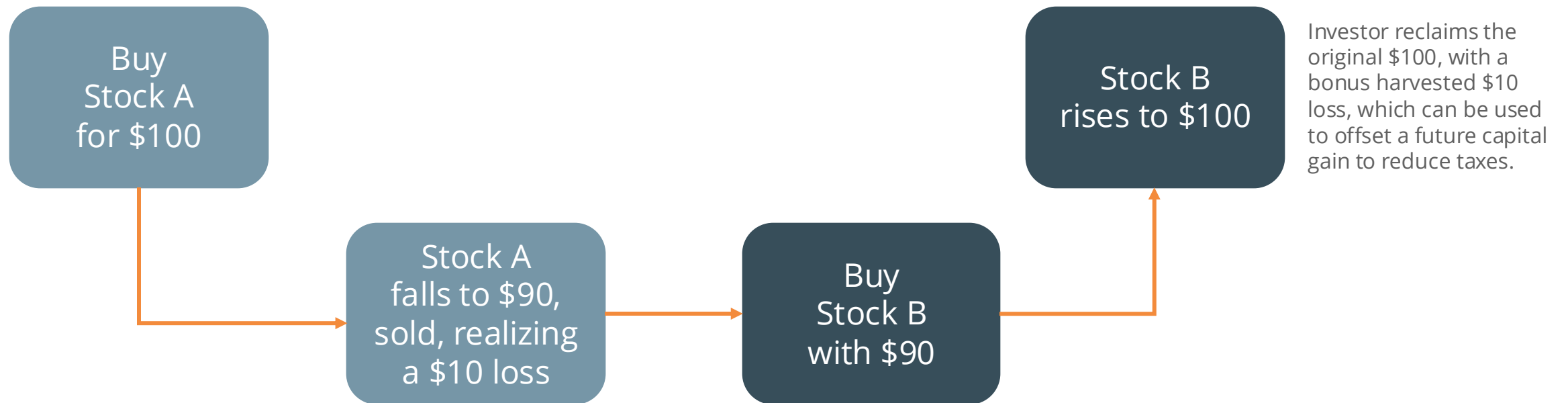


Polling Question 1

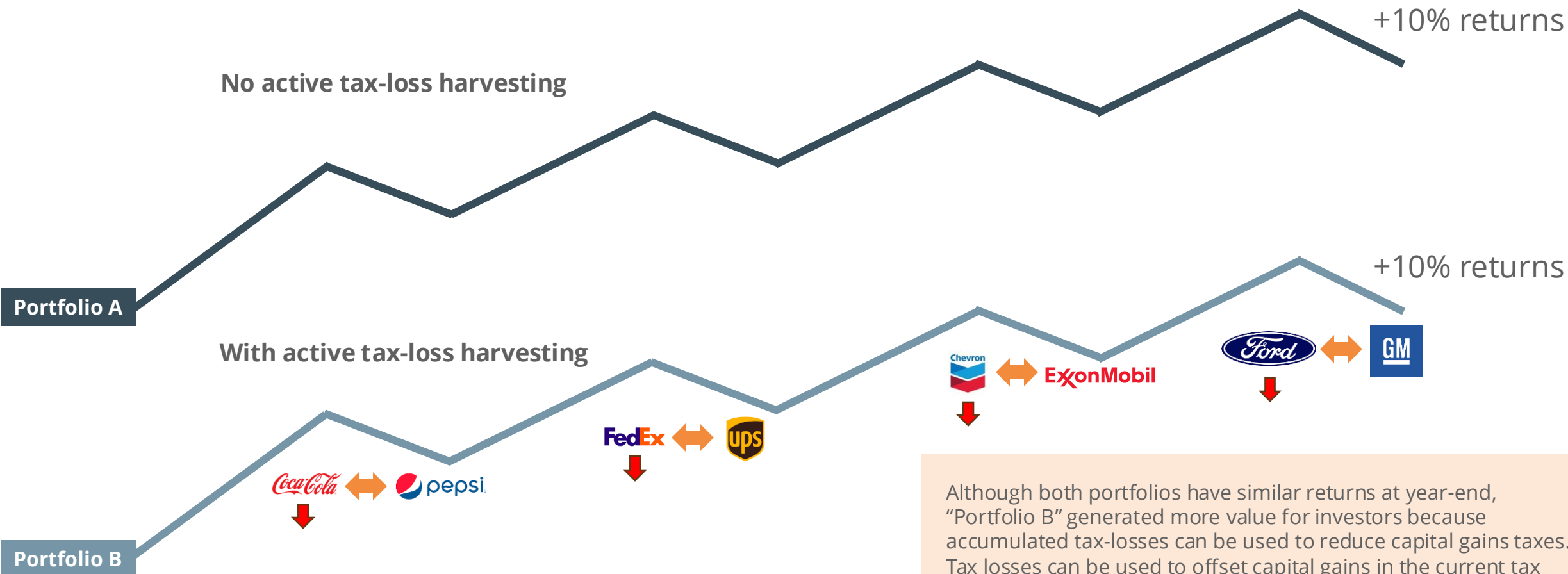
Which of the following best describes your understanding of tax-loss harvesting?

What Is Tax-Loss Harvesting?

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What Is Tax-Loss Harvesting?



For illustration purposes only. Estimated tax losses and returns generated may differ significantly due to market conditions.

Although both portfolios have similar returns at year-end, "Portfolio B" generated more value for investors because accumulated tax-losses can be used to reduce capital gains taxes. Tax losses can be used to offset capital gains in the current tax year or carried forward into future years. Tax-loss "alpha" can potentially add 2-3% per year in value to a portfolio.

Benefits of Tax-Loss Harvesting



Tax Deferral



**More Dollars
to Compound
& Grow**



**Time Value
of Money**



**Tax-Rate
Arbitrage**

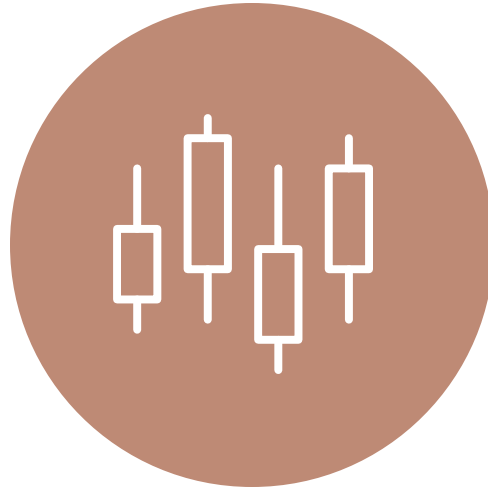


**Cost Basis
Step-Up**

Considerations of Tax-Loss Harvesting



Limited Shelf Life



Frequency



Market Conditions

Polling Question 2

What best describes *your* investing style?

New Approaches in Tax-Loss Harvesting

Tax-Loss Harvesting “2.0” – The Long and Short of It



Long Only



Long and Short

Why Is Shorting Effective for Tax-Loss Harvesting?



Markets Go Up Over Time

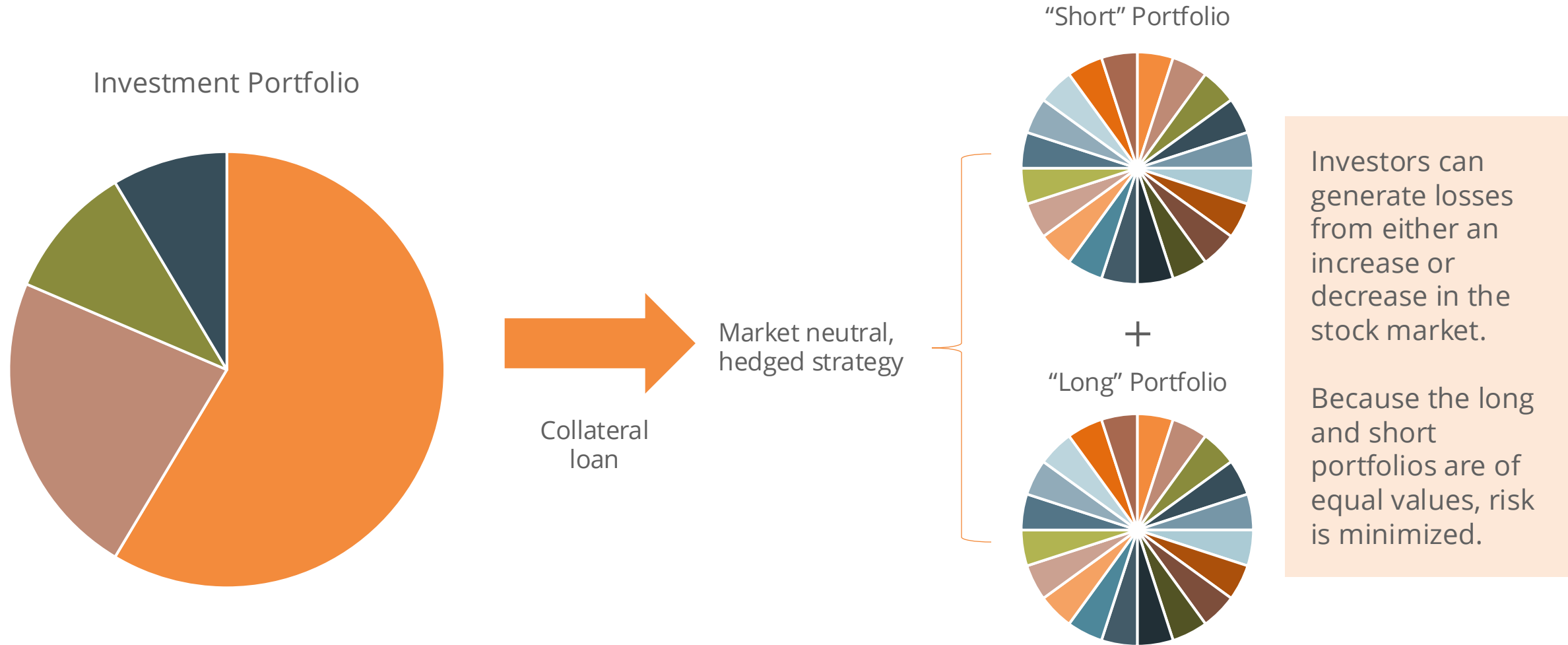


Extended Shelf Life

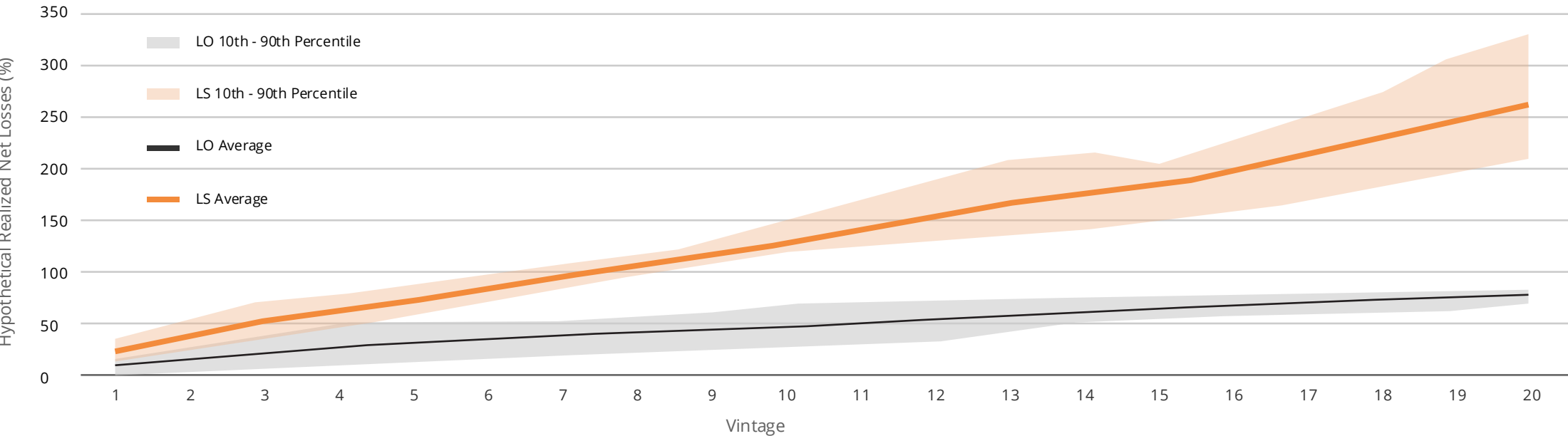


Reduces Market Volatility

Long/Short Active Tax-Loss Harvesting



Cumulative Realized Net Losses as Percentage of Initial Portfolio Value



	5-Year	10-Year	20-Year
Long/Short	73.5%	127.9%	262.0%
Long Only	30.6%	47.0%	78.0%
Difference	42.9%	80.9%	184.0%

Source: Barra US Total Market Equity Model for Long-Term Investors (USSLOW) model; Blackrock: Goldberg, Cai and Schneider 2024

Polling Question 3

*Are you using tax-loss harvesting
as an investment strategy?*

Client Case Studies

The Executive

- Executive
- Not quite retired
- Planning for a capital gain event
- Has an ossified direct index after ~6 years



Direct Indexing Ossification

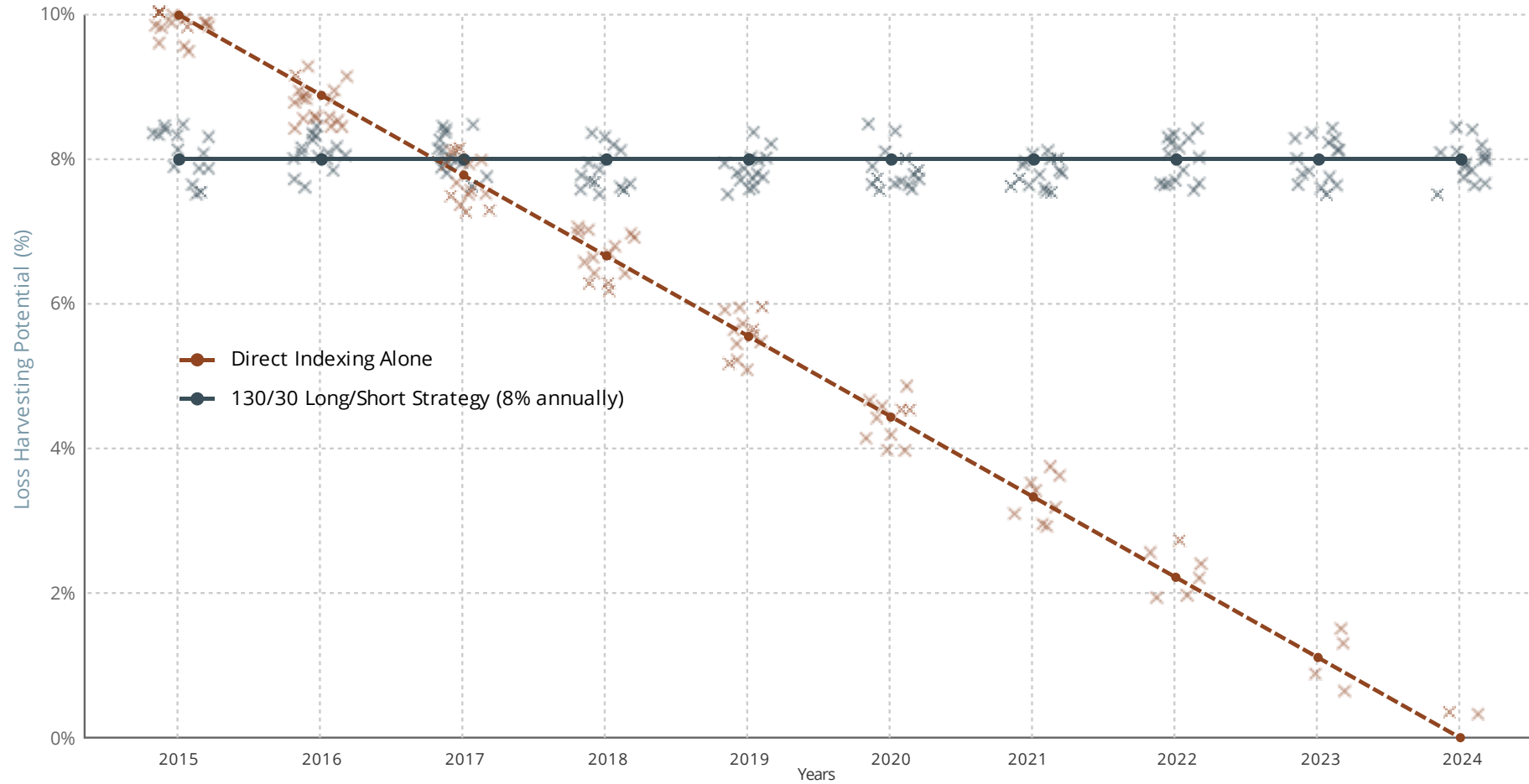
Tax-Loss Harvesting vs. Russell 3000 (2015-2024)



Source: Data compiled by author from Koyfin (accessed Apr 21, 2025) and BlackRock (Goldberg et al. 2024)

130/30 Long/Short Strategy

Maintains Stable Tax-Loss Harvesting Potential



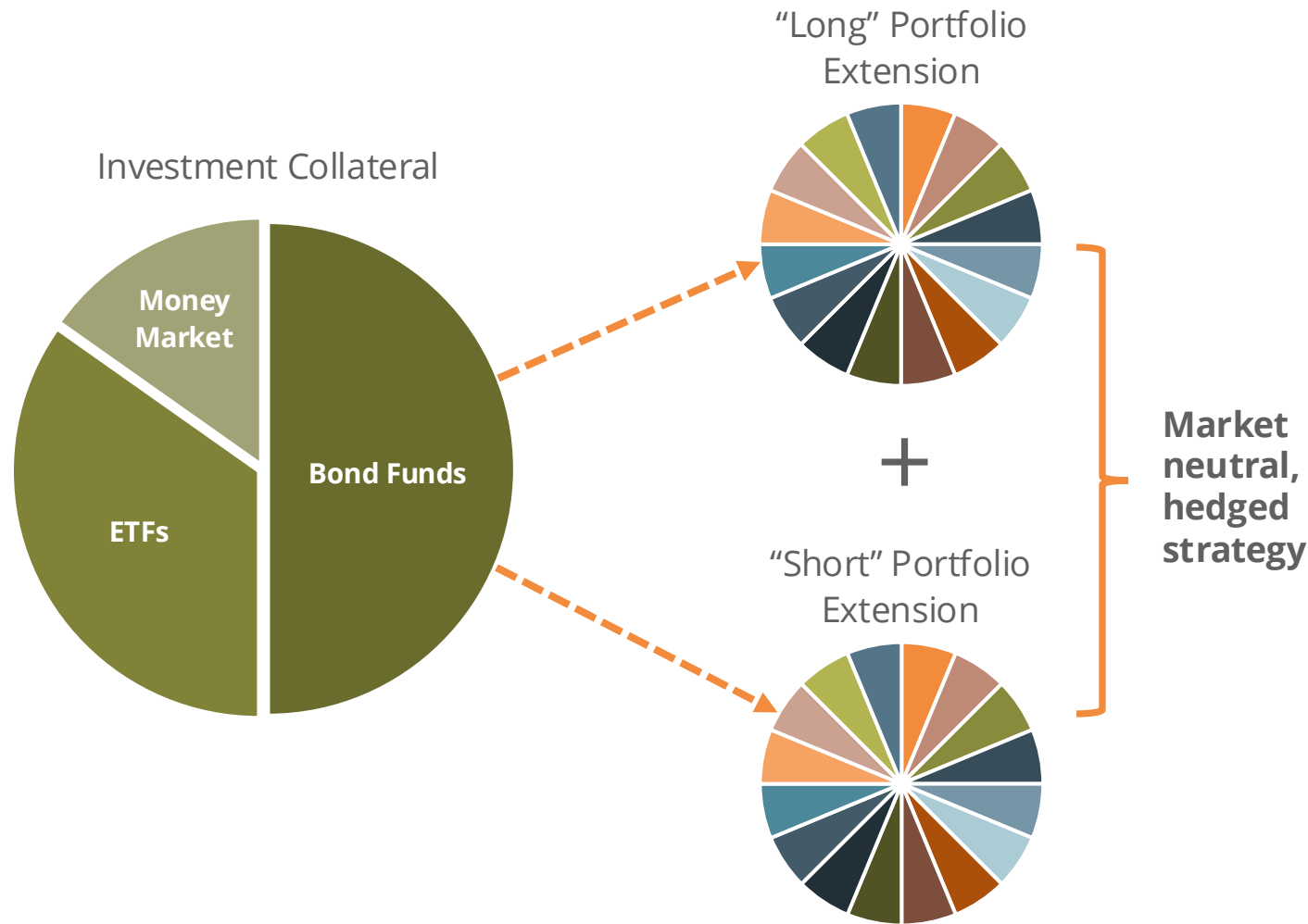
Source: Data compiled by author from Koyfin (accessed Apr 21, 2025) and BlackRock (Goldberg et al. 2024)

Happily Married

- Retired couple
- Has a fully invested portfolio
- Needs cash for extensive remodel
- Two capital gain objectives



Long/Short Active Tax-Loss Harvesting



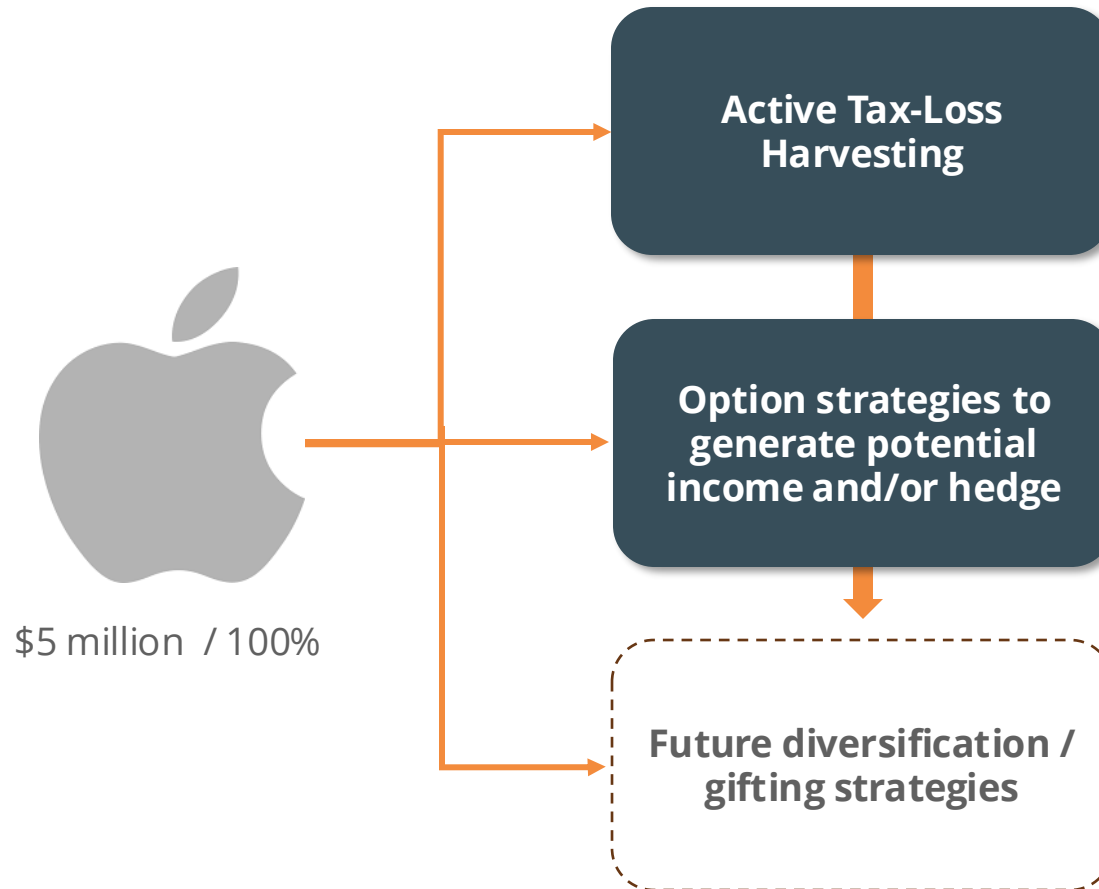
- Collateral: Money Market Fund, Mutual Funds and ETFs
- Leverage (“extensions”): 30/30
- Added Risk: ~1% STDEV
- Average loss harvesting potential: 7-10% per year

Ready to Retire

- Transitioning into retirement
- Has a significant concentration in a few company stocks
- Thinking about income replacement, diversification and taxes



Apple Multi-Strategy Approach



- \$3M of AAPL
- 7-10% per year tax loss generation (\$210k/year)
- Continue collecting AAPL dividends
- \$2M of AAPL
- Result from options varies by strategy
- Losses applies against this portion first
- \$X? from selling taxable investments
- Function of tax losses generated, stock valuations, and market conditions
- Advanced strategy (e.g., CRT, Upstream gift, etc.)

The tax benefit is computed by applying the following Federal rates to applicable income categories each month: long-term capital gains = 23.8%, short-term capital gains = 40.8%. Past performance is no guarantee of future results. There can be no guarantee that tax losses will be produced in the future, including within any hypothetical timelines referred to herein.

Q & A

Thank You

For additional questions or to schedule an introductory consultation, please contact us at

bakerave.com/contact or email us at **info@bakerave.com**



Purpose. Passion. Performance.

Since 2004, BakerAvenue has guided clients through personal and professional transitions. Our firm provides comprehensive wealth management and investment expertise for high-net-worth individuals, families, trusts, foundations, and endowments.

We're headquartered in San Francisco with offices in New York, Dallas, Houston, Seattle, San Diego, Sun Valley, and Naples.