



Asset Allocation vs. Asset Location

### Allocation

Asset allocation is investing in different asset classes to reduce your investment risk.

Asset allocation is the combination of asset classes in your portfolio such as stocks, bonds and cash.

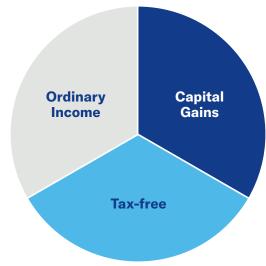
# Location

Asset location is investing in different tax locations to reduce your tax liability risk.

Asset location refers to the combination of portfolio holdings and tax treatment when you withdraw your asset.



vs.



Asset allocation, reallocation and rebalancing addresses portfolio risks.

Asset location focuses on the risk of taxation on distributions.

# Why you may need an asset location plan

#### Without asset location planning

Let's take a look at an example. Take Ivan and Andrea Smith. The Smiths just retired and need to pull \$350,000 from their investments this year to maintain their lifestyle.

If the Smiths had never done an asset location plan, they may not have been investing in all three locations during their working years, which means they may only be able to pull their retirement income from one location, the ordinary income location (which is typically a 401(k)). In this case, they would end up paying \$70,085 in taxes, based on current tax treatment.

## With asset location planning

In option 2, the Smiths met with a financial professional and, based on their asset location plan, determined an optimal mix of investment locations. Since they had been investing in all three locations, they have the option to pull their \$350,000 from all three locations. In this case, they can take \$150,000 from the ordinary income location, \$100,000 from the capital gains location, and \$100,000 from the tax-free location.

Ordinary Income Only \$350,000 Total									
	First \$23,200	Next \$71,100	Next \$106,750	Next \$148,950	TOTAL				
Tax rate	10%	12%	22%	24%					
Taxes due	\$2,320	\$8,532	\$23,485	\$35,748	\$70,085				

**Effective tax rate = 20%** 

	Ordinary Income \$150,000 Total			Capital Gains	Tax- Free	
	First \$23,200	Next \$71,100	Next \$55,700	\$100,000	\$100,000	TOTAL
Tax rate	10%	12%	22%	15%	0%	
Taxes due	\$2,320	\$8,532	\$12,254	\$15,000	\$0	\$38,106

**Effective tax rate = 10.9%** 

Total tax savings with asset location planning = \$31,979 (45.6%)

By determining their tax rates, finding the ideal tax locations, applying and tax bracket planning, Ivan and Andrea were able to reduce their effective tax rate from 20% to 10.9%. That's a savings of 45.6%, a total of \$31,979. This allows them to spend that money on their grandkids, travel and adventures, golf, and anything else they love doing!

Of course, this is just a hypothetical example — with your personalized asset location plan, you'll be able to determine how best to potentially reduce your taxes based on your income and investments.

Please be advised this document is not intended as legal or tax advice. Accordingly, any tax information provided in this document is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The tax information was written to support the promotion or marketing of the transaction(s) or matter(s) addressed and you should seek advice based on your particular circumstances from an independent tax advisor. Equitable Advisors, its affiliates and financial professionals do not provide tax advice.

Corporate and Endowment Solutions (CES), including its administration services arm, CES Administration (CESA), is a division of Equitable, which is the brand name of the retirement and protection subsidiaries of Equitable Holdings, Inc., including Equitable Financial Life Insurance Company (Equitable Financial) (NY, NY); Equitable Financial Life Insurance Company of America (Equitable America), an AZ stock company with an administrative office located in Charlotte, NC; and Equitable Distributors, LLC. Equitable Advisors is the brand name of Equitable Advisors, LLC (Equitable Financial Advisors in MI & TN). Life insurance products issued by Equitable Financial and Equitable America are co-distributed by Equitable Distributors, LLC, NY, NY and Equitable Network, LLC. Financial professionals of Equitable Advisors offer securities through Equitable Advisors, LLC (NY, NY (212) 314-4600), member FINRA, SIPC, (Equitable Financial Advisors in MI & TN), and offer annuity and insurance products through Equitable Network, LLC (Equitable Network Insurance Agency of Utah, LLC in UT; Equitable Network of Puerto Rico, Inc. in PR).

© 2024 Equitable Holdings, Inc. All rights reserved. GE 6550867.1 (4/24) (Exp. 4/26) | G2502376 | Cat. #400129 (4/24)

Life Insurance: • Is Not a Deposit of Any Bank • Is Not FDIC Insured • Is Not Insured by Any Federal Government Agency • Is Not Guaranteed by Any Bank or Savings Association • Variable Life Insurance May Go Down in Value