



Interactive Brokers

presents

Tax Efficient Investing

Nancy Nelson, Interactive Brokers

nnelson@interactivebrokers.com

Webinar begins @ 12:00 PM EST



webinars@interactivebrokers.com



www.ibkr.com/webinars



Member SIPC www.sipc.org





Tax Efficient Trading and Investing

Various Strategies

US centric approach

Focus on US tax savings



Circular 230 Notice

The information in this presentation is provided for informational purposes only, and does not constitute tax advice and cannot be used by the recipient or any other taxpayer to avoid penalties under any federal, state, local or other tax statutes or regulations, or to resolve any tax issue.



Defining Tax Efficiency

Minimizing tax – long term (including estate tax)

Minimizing tax – short term (current year)

Lowering rate on current income

Tax deferral

Rate, bracket advantage – avoiding AMT

Time Value of Money



Primary Topics

Tax Law

“Knowledge is Power”

Product choice

“The right tool yields the best results”



Primary Topics

Using losses to your advantage

“Admit your mistakes don’t hide them”

Tax Advantaged Accounts

“ A penny saved is a penny earned”



Taxes – where we are now.

Interest – ordinary income

Dividends – ordinary income

Qualified Dividends – LTCG rate

Must be from US Security or

Security issued from a country with which US has tax treaty and traded on a major exchange

Payments in lieu – ordinary income

Interest or dividends



Taxes – where we are now

Short – term capital gains/losses – ordinary income

Long – term capital gains and losses

Taxable income < \$406,750 (S), \$457,600 (MFJ) 15%

Taxable income > \$406,750 (S), \$457,600 (MFJ) 20%



Taxes – where we are now

Section 1256 Transactions

Index options

considered “closed” at the end of year
all gains/losses recognized



Other Tax Considerations

Net Investment Income Tax

3.8% on investment income

Interest, Dividends, PIL and Net gains

AGI > \$200,000 (S), \$250,000 (MFJ)

State Taxes



Taxes – Power in the rules

Tax bracket

Know where you are, how close you are to the next level, and where you are going.

NII considerations

AMT consideration



Taxes – Power in the rules

Holding period

Dividends

61 days around the record date to be taxed as qualified dividends (LTCG rate)

PIL

Generally Ordinary income, not eligible for qualified dividend treatment



Taxes – Power in the rules

Capital Gains:

Must hold the security long for a year and a day

Wash sale holding periods additive

Look at your tax lots (purchases)

Short = short term



Taxes – Power in the rules

Timing of taxation

Currently taxable

Tax deferred account



Taxes – Power in the rules

Avoid the “Cocktail Party” tax advise

If it seems too good to be true it most likely is.



Product Choice

Index Options

ETF vs. Mutual Fund

Section 1256

Gains and losses recognized at the end of each year

Taxed 40% as ordinary (Short-term)

60% as Long-term capital gain



Product Choice

US Treasuries

Taxed as ordinary income at Federal level – no state tax

Municipal Bonds

No Federal Tax - no state tax if issued by residence state

Bond Mutual Funds

Better liquidity than individual bonds, can purchase state specific funds



Using Losses Wisely

Capital losses offset capital gains

Short against Short

Long against Long

Long against Short

Short against Long

\$3000/year against other income, excess carries forward indefinitely



Tax Deferred – Advantaged Accounts

Retirement Plans:

401K Plans – Pre tax money – taxed at distribution

Roth 401K – post tax money – no tax at distribution

Traditional IRAs – pre or post tax money – tax at distribution

Roth IRAs – post tax money – no tax at distribution

SEP IRA – pre tax money – taxed at distribution



Tax Deferred-Advantaged Accounts

Limited Funds – how do you choose?

401K and Roth 401K

SEP

Roth IRAs

Traditional IRAs



Tax Deferred – Advantaged Accounts

529 Plans

Remember it is a gift subject to gift tax rules

Grows tax free until college

Contributions after Federal tax however there may be state tax benefits



Wrap Up

Four major considerations:

Tax law

Product choice

Using losses wisely

Tax deferred-advantaged accounts



Disclosures

Options involve risk and are not suitable for all investors. For information on the uses and risks of options, you can obtain a copy of the Options Clearing Corporation risk disclosure document titled [Characteristics and Risks of Standardized Options](#) by calling 312 542-6901.

Futures are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading futures, please read the [CFTC Risk Disclosure](#). For a copy visit [interactivebrokers.com](#).

Security futures involve a high degree of risk and are not suitable for all investors. The amount you may lose may be greater than your initial investment. Before trading security futures, please read the [Security Futures Risk Disclosure Statement](#). For a copy visit [Interactivebrokers.com](#).

There is a substantial risk of loss in foreign exchange trading. The settlement date of foreign exchange trades can vary due to time zone differences and bank holidays. When trading across foreign exchange markets, this may necessitate borrowing funds to settle foreign exchange trades. The interest rate on borrowed funds must be considered when computing the cost of trades across multiple markets.

The Order types available through Interactive Brokers LLC's Trader Workstation are designed to help you limit your loss and/or lock in a profit. Market conditions and other factors may affect execution. In general, orders guarantee a fill or guarantee a price, but not both. In extreme market conditions, an order may either be executed at a different price than anticipated or may not be filled in the marketplace.

There is a substantial risk of loss in trading futures and options. Past performance is not indicative of future results.

Any stock, options or futures symbols displayed are for illustrative purposes only and are not intended to portray recommendations.

Interactive Brokers LLC is a member of [NYSE FINRA SIPC](#)

Interactive Brokers LLC is registered with HKSF and is a participant of the Sydney Futures Exchange (SFE)