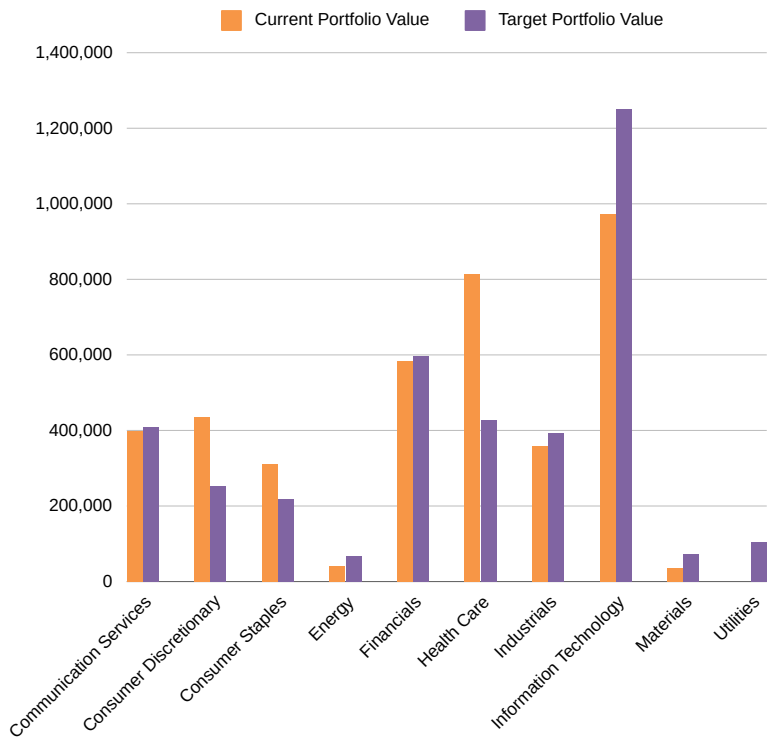
DAKOTA

THE MAJORITY OF THE PORTFOLIO IS TIED UP IN HEAVILY APPRECIATED POSITIONS

OPPORTUNITY/CLIENT BACKGROUND

The client has most of the portfolio's value tied up in heavily appreciated positions. Looking throughout the portfolio, it is tough to identify positions to sell given the level of gains across the account. When dealing with the tax trapped nature of the holdings, liquidity and the ability to map to a more optimal investment strategy is difficult. This is a perfect opportunity to convert through the 351a exchange. You can provide better liquidity to the client while gaining improved market exposure with the new ETF. This is all possible with no immediate tax consequences.



GOALS OF ETF EXCHANGE

- Transferring securities that are “tax trapped” to the ETF
- Providing diversification benefits without triggering capital gain taxes
- Provides client with access to a liquid ETF

CHALLENGES OF ETF EXCHANGE

- No single asset that is being transferred can represent more than 25% of the portfolios total value
- Positions greater than 5% can’t collectively be more than 50% of portfolio’s NAV

SOLUTION

Client has 76 holdings with an account value of $3,979,813.07. Of that total value, roughly $2,600,000 of that is tied up in gains. No position being held represents more than a 25% weighting, and no position is over a 5% weighting, allowing for every security to be converted through the 351a exchange.

CLIENT BENEFITS AND CONSIDERATIONS

- Tax Efficiency: Defer capital gains taxes
- Securities that were previously being held due to gains rather than a bullish view on the company are no longer weighing on the portfolio (Diversification)
- Liquidity benefits of an ETF
- Transparency into the ETF’s holdings

This case study is provided for illustrative purposes only. The information provided is for educational and informational purposes only and does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your attorney or tax advisor. No portion of this case study is to be interpreted as a testimonial or endorsement of Dakota’s investment advisory services.