

## Taxes, Portfolio Management and Emotional Pain



Loss aversion may cause some investors to make portfolio decisions based primarily on the tax consequences instead of on strategies intended to provide a long-term benefit. The short-term pain of tax payment is felt more than the future pain of the increased volatility stemming from a portfolio that is not properly allocated. This is a conclusion I'm reaching from reading some of the comments to the articles about rebalancing in the April AAI Journal and what I've been learning about behavioral finance.

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