

The Taxes You May Be Paying on Your Investments



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Depending on what you invest in, this may be a year where you both incur a loss of portfolio value and owe capital gains taxes. This is particularly true if you hold actively managed mutual funds in a taxable account. Even if you don't hold mutual funds in a taxable account, the new tax law may have implications for you.

I'll start with mutual funds. In an email sent out last week, Mark Wilson of CapGainsValet wrote, "We are breaking records (going back to 2014) for funds with 10%+, 20%+ and 30%+ distributions." As of today, Wilson has counted 67 funds with estimated distributions in excess of 20%. Put another way, for every dollar of share assets, investors in these funds will receive distributions equating to \$0.20 or more. The distributions are taxable if shares are held in a taxable account, even if the fund has declined in value and/or you've only held the fund for a short period of time.

A TAX HEADACHE:

67

**MUTUAL FUNDS
WITH DISTRIBUTIONS
OF 20% OR MORE**

*Source: CapGainsValet.com;
distributions calculated as a
percentage of net asset value (NAV).*

The large distributions are the result of the long-running bull market. After a nearly 10-year bull run (though wobbling as of late), managers of actively managed funds have fewer losing positions to sell. At the same time, longer-term positions that no longer matched their strategies were more likely to have increased than decreased in value.

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More on AAll.com

- [An In-Depth Look at the Tax Consequences of Asset Location](#) - The type of account chosen to hold an investment in impacts the aftertax rate of return you will realize.
 - [Keeping Transactions Clean From the Wash-Sale Rules](#) - Avoiding violations of the wash sale rule can help you both claim losses and avoid tax headaches.
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Highlights from this month's *AAll Journal*

- [The Individual Investor's Guide to Personal Tax Planning 2018](#) - Our annual tax and financial planning guide has been updated to help you understand how the new law will impact your 2018 and 2019 taxes.
 - [19 Year-End Financial and Investing Moves](#) - These are actionable steps covering personal finance, estate planning, investing, retirement and taxes that investors should consider taking now.
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AAll Sentiment Survey

Pessimism among individual investors about the short-term direction of the stock market pulled back to its historical average, though the timing of when the responses were recorded played a role. Also, this week's special question asked AAll members what influence third-quarter earnings had on their outlook for stock prices. [More about this week's results.](#)

This week's results:

- Bullish: 37.9%, up 4.1 points
- Neutral: 31.6%, up 4.9 points
- Bearish: 30.5%, down 9.0 points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

Take the [Sentiment Survey](#).

AII Asset Allocation Survey

Individual investors' exposure to cash rose to its highest level since February 2016. The increase was not large enough to prevent cash allocations from staying below their historical average for the 84th consecutive month, however. [More about the latest results](#).

November AII Asset Allocation Survey results:

- Stocks and stock funds: 64.6%, down 4.9 percentage points
- Bonds and bond funds: 15.8%, up 2.5 percentage points
- Cash: 19.6%, up 2.4 percentage points

November AII Asset Allocation Details:

- Stocks: 31.1%, down 1.1 percentage points
- Stock Funds: 33.5%, down 3.8 percentage points
- Bonds: 3.4%, up 0.8 percentage points
- Bond Funds: 12.4%, up 1.7 percentage points

Take the [Asset Allocation Survey](#).

What's Trending on AII

1. [The Individual Investor's Guide to Personal Tax Planning 2018](#)
 2. [Finding Bargains Among Stocks With Falling Stock Prices](#)
 3. [19 Year-End Financial and Investing Moves](#)
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The Week Ahead

Two S&P 500 index members are scheduled to report earnings: Adobe Systems Inc. ([ADBE](#)) and

Costco Wholesale Corp. (**COST**). Both will announce their results after the market closes on Thursday.

The week's first economic report will be the October JOLTS report released on Monday. Tuesday will feature the November producer price index (PPI). The November consumer price index (CPI) will be released Wednesday. Thursday will feature November import and export prices. November retail sales, November industrial production and capacity utilization and October business inventories will be released on Friday.

The Treasury Department will auction \$38 billion of three-year notes on Tuesday, \$24 billion in 10-year notes on Wednesday and \$16 billion of 30-year bonds Thursday.

Local Chapter Meetings

AII Local Chapter Meetings offer you a variety of presentations from expert speakers who will give you their view on the world of investing. A bonus of attending a Chapter Meeting near you is the opportunity to meet other AII members who share your interest and enthusiasm for investing. You can even share the Chapter experience with your family and friends by inviting them to attend Chapter Meetings with you!

[Upcoming Meetings »](#)