

# Not Clear That Mutual Funds Are Becoming More Tax Friendly



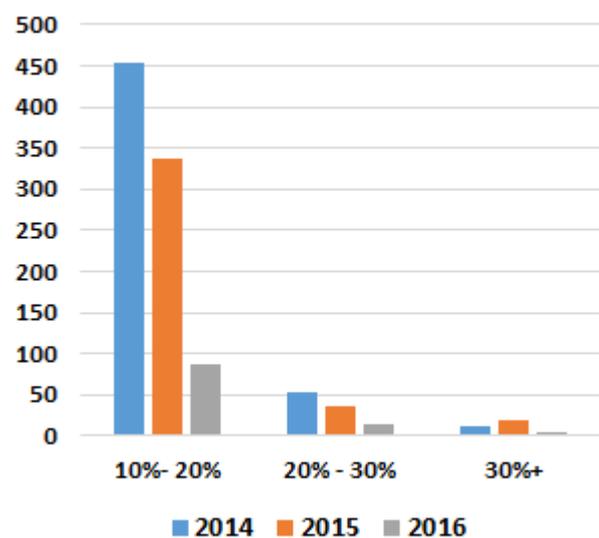
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This is the time of year when mutual funds make their annual distributions. The distributions, in this case, involve capital gains and ordinary income. They are the profits realized by the funds, most commonly through the sale of their portfolio's holdings. To the extent that these gains cannot be offset by losses, they are passed onto shareholders.

The distributions are taxable events for investors holding such funds in taxable accounts.

Fortunately, the size of the tax bite appears to be less severe at the high end. Mark Wilson of **CapGainsValet.com** says that only 109 funds have announced distributions in excess of 10% of their net assets. This is down from 517 in 2014 and 391 in 2015.

## FEWER BIG DISTRIBUTIONS



\*Mutual fund distributions as a percentage of net assets.  
Source: CapGainsValet.com

Mark's data was surprising given the length of the bull market. Should the current bull market keep

running into March, it will celebrate its eighth birthday. Such a long length will have given fund managers plenty of time to use up their losses from the last bear market and accumulate plenty of gains to pass along to shareholders. The distributions data for this year shows this is not the case. So what gives? [Read more »](#)

## More on AAll.com

- **The Individual Investor's Guide to the Top Mutual Funds 2016** - The data about tax-cost ratios and turnover was pulled from our comprehensive annual mutual fund guide.
- **An Inside Look at Exchange-Traded Funds** - For taxable accounts, exchange-traded funds can make more sense. Here's how they differ from mutual funds

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## Highlights from the *AAll Journal*

- **Investment Strategies: 2017 and Beyond** - Our tax guide includes suggestions on how to minimize the impact of investment-related taxes.
- **Seven Steps That Couples in Their 50s Should Take** - Money Magazine listed seven smart money moves that couples should make to better prepare themselves for retirement.

## AAll Sentiment Survey

Optimism is above 40% for a fourth consecutive week, the longest such streak in nearly two years. [More about this week's results.](#)

### This week's results:

Bullish: 43.1%, down 0.7 points

Neutral: 30.4%, down 0.7 points

Bearish: 26.5%, up 1.4 points

### Historical averages:

Bullish: 38.5%

Neutral: 31.0%

Bearish: 30.5%

Take the **Sentiment Survey**.

## What's Trending on AAI

- **Why Buy Bonds If Interest Rates Will Rise?**
- **The Weiss Approach to Value in Blue-Chip Stocks**
- **Stocks: An Underappreciated Asset Class in Retiree Portfolios**

## The Week Ahead

Just two members of the S&P 500 are scheduled to report earnings: Adobe Systems (**ADBE**) and Oracle Corp. (**ORCL**) on Thursday.

The Federal Open Market Committee will hold a two-day meeting, starting on Tuesday. The meeting statement along with updated committee member forecasts will be released at approximately 2 p.m. ET on Wednesday. Fed chair Janet Yellen will hold a press conference at 2:30 p.m. ET. The CME's FedWatch tool places a 97.2% chance on interest rates being raised by a quarter of a percentage point.

Elsewhere on the economic calendar, November import and export prices will be released on Tuesday. Wednesday will feature the November Producer Price Index (PPI), November retail sales, November industrial production and capacity utilization and October business inventories. The November Consumer Price Index (CPI), the December Philadelphia Fed business outlook survey, the December Empire State manufacturing survey and the December housing market index will be released on Thursday. Friday will feature November housing starts and building permits.

Richmond Federal Reserve Bank president Jeffrey Lacker will speak on Friday.

The Treasury Department will auction \$24 billion of three-year notes and \$20 billion of 10-year notes on Monday, and \$12 billion of 30-year bonds on Tuesday.

## AAII Local Chapters



AAII 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 AAII 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! Click [here](#) for information on upcoming meetings.

### AAII Members Receive Tax Guidance

The December *AAII Journal* features our popular tax guide. This annual guide helps investors stay up to date with the ever-changing tax regulations, includes last-minute reminders for 2016 and provides tax strategies for 2017.

It will help you understand your current tax liability and what you can do to potentially lower your tax bill this year and next year.

**Start your AAII membership today** to get The Individual Investor's Guide to Personal Tax Planning 2016, and to benefit from everything AAII has to offer.