

Personalized Investing Made Simple

Personalized Investing, Greater Tax Efficiency, and More Control

Traditional investment strategies, like ETFs and mutual funds, follow a one-size-fits-all approach. But as investing evolves, more investors are seeking greater customization, tax advantages, and direct ownership of stocks. This guide explores Direct Indexing, a modern approach to investing that allows for greater tax-efficiency, personalized portfolios, and more control over your financial future.

Why Direct Indexing Matters to You



1. Keep More of What You Earn: Automated tax-loss harvesting helps reduce your tax burden, so you can maximize after-tax returns without extra effort.



2. More Control, More Opportunity: Direct indexing lets you invest in individual stocks instead of ETFs, offering greater flexibility, diversification, and potential tax advantages.



3. Align Your Portfolio with Your Values: Direct indexing allows for deep customization across 40+ dimensions, helping you tailor your investments to your personal beliefs, financial goals, and preferences.

How Direct Indexing Compares

Feature	Direct Indexing	ETFs & Mutual Funds
Ownership	Owns individual stocks in an index	Owns shares of a fund that holds stocks
Tax-Loss Harvesting (TLH)	Can sell individual stocks at a loss to reduce taxes year-round	Can only sell the entire fund, limiting TLH opportunities
Customization	Can exclude certain stocks/sectors (e.g., diversify away from healthcare if already exposed)	No control over holdings
Costs	Lower cost than majority of mutual funds and ETF's	ETFs: 30-50bps on average + internal costs, Mutual Funds 100bps+
Capital Gains	You control when gains/losses are realized	Fund managers may distribute taxable gains annually
Minimum Investment	Historically for UHNW investors, now accessible to more investors	Low minimums, but less control

Take Charge of Your Financial Future

Personalized investing means greater transparency and strategies that align with what matters most to you.

FAQ

Who manages the Direct Index?

Your advisor manages your Direct Indexing strategy, tailoring it to your financial goals, risk tolerance, and any specific preferences you have—such as tax efficiency or ESG considerations.

What are the disadvantages of Direct Indexing?

- **More positions in your account:** Unlike ETFs or mutual funds, Direct Indexing involves owning individual securities, which means you may see more holdings and trading activity.
- **Potential tracking error:** Since your portfolio is customized, it may not track an index exactly, especially if restrictions or personal preferences are applied.
- **Requires some initial setup:** Transitioning to Direct Indexing requires an initial portfolio alignment, but this process is managed by your advisor with tax efficiency in mind.

Can I withdraw or add capital whenever I want?

Yes, you can deposit or withdraw funds at any time. Your advisor will help ensure that any transactions align with your tax and investment strategy.

Do I need to open new accounts or switch custodians?

No, that's not necessary. Your accounts will remain at your current custodian, and your advisor can use existing accounts or open new ones as needed.

How does Direct Indexing help with taxes?

Direct Indexing allows for Tax Loss Harvesting, which involves strategically selling securities at a loss to offset gains, potentially reducing your tax liability. Your advisor can also help manage capital gains over time by selecting which shares to sell based on tax impact.

How does Direct Indexing compare to ETFs or mutual funds?

Unlike ETFs and mutual funds, which offer standardized portfolios, Direct Indexing gives you the flexibility to:

- Customize your portfolio based on personal values (e.g., ESG, industry exclusions).
- Optimize for taxes in ways that funds cannot.
- Have direct ownership of individual securities, allowing for greater transparency and control.

Can I customize my portfolio based on my values or investment preferences?

Yes! Direct Indexing allows for personalization, so you can exclude certain industries, companies, or sectors, or align your investments with ESG principles, faith-based investing, or other preferences.

How often is my portfolio adjusted?

Your portfolio is monitored and adjusted regularly, with rebalancing and Tax Loss Harvesting happening as opportunities arise. The frequency of adjustments depends on market conditions and your personalized strategy.

Where can I learn more about Direct Indexing?

Your advisor is the best resource to guide you through how Direct Indexing fits into your investment plan and can provide additional materials and insights tailored to your specific needs.

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Tax strategies, including tax-loss harvesting, are subject to complex rules and may not be effective in all situations. Please consult with a qualified financial advisor or tax professional before making any investment or tax-related decisions.

Past performance is not indicative of future results. Any references to investment customization, tax efficiency, or other benefits are general in nature and not guaranteed.