

# UNDERSTANDING YOUR AFTER-TAX RETURN

## WHAT INVESTORS NEED TO KNOW

Investors focus on performance numbers shown on statements – but those are pre-tax returns. **What truly matters is your after-tax return:** the portion of your investment growth you actually keep once taxes and fees are paid.

Morningstar research shows that **taxes can reduce long-term portfolio returns by up to 2% annually.** A 1-2% annual tax drag may sound small, but over time it can translate to **hundreds, thousands, or even millions less in accumulated wealth.**

## HOW TO CALCULATE AN AFTER-TAX RETURN

Once you've collected raw data from tax forms, you can estimate after-tax return with this formula:

$$\frac{(\text{Ending Value} - \text{Tax Paid}) - \text{Beginning Value}}{\text{Beginning Value}} = \text{Your After-Tax Return}$$

In practice, taxes may include the following. This discussion reflects **federal taxes only** and does not include state or local taxes, which may further reduce after-tax returns.



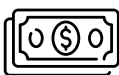
### Ordinary Income Taxes (Up to 37%)

On interest, ordinary (or non-qualified) dividends, and short-term capital gains



### Lower Capital Gains Taxes (Up to 20%)

On qualified dividends and long-term capital gains



### Net Investment Income Tax (3.8%)

Additional taxes imposed on investment income for high income households

It is counter to your wealth manager's business incentives to disclose these hidden costs, so very few provide the transparency to assess the real impact on your wealth creation. **We do.**

## OUR COMPLIMENTARY ANALYSIS GIVES YOU

### ANSWERS OTHERS WON'T SHARE

We offer a complimentary investment analysis for portfolios of \$500,000+. While the formula above provides an estimate, our no-obligation review reveals **exactly** how your portfolio is working – and where taxes, inefficiencies, or missed opportunities may be reducing long-term results. **Contact us today at (585) 485-0135 or [info@highprobabilityadvisors.com](mailto:info@highprobabilityadvisors.com) for your free analysis.**