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SEI Survey: Increased Focus on Taxes Creates Opportunity for Advisors

SEI Identifies Tips for Advisors to Add Value Through Tax-Managed Strategies Throughout the Year

OAKS, PA -- (Marketwired) -- 04/11/13 -- Taxes have moved up client priority lists in the aftermath of the fiscal cliff deal creating new opportunities for advisors to demonstrate expertise and deepen relationships according to an SEI (NASDAQ: SEIC) survey released today. The poll revealed that more than two-thirds of advisors surveyed (69 percent) say their clients are asking more tax-related questions. It also showed that an overwhelming majority of advisors (81 percent) take tax management into consideration when advising clients on investment decisions. Beyond that, more than half of advisors polled (52 percent) only look to harvest losses for tax purposes at the end of the year. The survey, of more than 170 financial advisors, suggests that there are opportunities for advisors to add value with clients by providing regular tax insights and implementing tax-managed investing strategies.

"Taxes have become a major focus in the aftermath of the fiscal cliff and while most advisors take tax management into consideration when advising clients, there are more opportunities to demonstrate expertise and add value in light of recent tax changes," said Dean Mioli, Director of Investment Planning for the SEI Advisor Network. "With clients asking more tax-related questions than ever before, advisors should proactively offer tax-related advice and implement tax-driven strategies throughout the year. By making taxes top-of-mind advisors can differentiate themselves and gain mindshare in a competitive environment."

Given the increased importance of taxes, SEI identified five steps every advisor can use to help their clients increase tax savings. The steps include:

1. *Utilize Multiple Tax "Buckets*" -- All tax strategies are not created equal. Client assets fit into three tax buckets: taxable, tax-deferred, and tax-free. When planning, advisors need to be aware of the attributes and benefits of the strategies in each bucket and execute an appropriate mix in seeking to enhance client returns while reducing their tax burdens.

2. *Focus on Asset Location* -- In light of recent taxes changes, the key phrase for advisors may have changed from "asset allocation" to "asset location" (the most appropriate asset types for taxable vs. tax-deferred accounts). While many advisors have traditionally focused on determining the right asset allocation to meet a client's unique situation, the location of assets in a portfolio can actually create tax advantages. Advisors need to consider where

assets are located within a portfolio to optimize the different tax treatments that different types of investments receive when placed in certain accounts.

3. *Don't Overlook Income Shifting* -- While gifting strategies have always been a part of the planning process, they are more important than ever in light of recent tax changes. Don't overlook shifting income to a family member in a lower tax bracket or deferring income to the next year to gain tax benefits. Opt for gifting appreciated securities, such as low basis stocks, instead of cash. Look to defer investment from one year to the next to lower the amount of taxable investment income for the current year. The opportunities are numerous as long as you're looking for them.

4. *Consider All Roth Conversions* -- Roth IRAs offer considerable tax advantages, however a full Roth conversion may not make sense for every client. There are many different ways a Roth strategy can be implemented, including a partial conversion, generational arbitrage, and converting a non-deductible IRA to a Roth IRA. Look to tactically pair the Roth conversion with other tax strategies, such as increasing charitable contributions or released suspended passive losses, to potentially increase the tax savings even further.

5. *Maximize Loss Harvesting* -- This is one of the most effective yet underused techniques to reduce client tax liabilities. Don't limit lost harvesting to an end-of-year exercise. Look to harvest losses regularly throughout the year to find opportunities to offset future gains. By looking to harvest losses only at the end of the year, valuable opportunities may be missed to strategically sell stocks at a loss and create an "asset" that can offset gains to lower client tax liability.

SEI conducted the poll at its recent Tax Management Webinar. The webinar was held to help advisors understand the latest tax changes and provide them with tax planning ideas to help minimize the impact of increased taxes on their clients.

About The SEI Advisor Network
The SEI Advisor Network provides financial advisors with turnkey wealth management services through outsourced investment strategies, administration and technology platforms, and practice management programs. It is through these services that SEI helps advisors save time, grow revenues, and differentiate themselves in the market. With a history of financial strength, stability, and transparency, the SEI Advisor Network has been serving the independent financial advisor market for more than 20 years, has over 5,400 advisors who work with SEI, and $33.7 billion in advisors' assets under management (as of Dec. 31, 2012). The SEI Advisor Network is a strategic business unit of SEI. For more information, visit www.seic.com/advisors.

About SEI
SEI (NASDAQ: SEIC) is a leading global provider of investment processing, fund processing, and investment management business outsourcing solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of December 31, 2012, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers $458 billion in mutual fund and pooled or separately managed assets, including $201 billion in assets under management and $257 billion in client assets under administration. For more information, visit www.seic.com.

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