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Envestnet | PMC Enhances Tax Overlay Services, Enabling Advisors to Apply Holistic Tax Management to More Client Assets

Advisors Can Set Personalized Annual Capital-Gains Budgets to Manage Low-Cost Basis Holdings Over a Period of Several Years

CHICAGO, Jan. 6, 2021 /PRNewswire/ -- Envestnet, Inc. (NYSE: ENV) announces that Envestnet | PMC (PMC) has rolled out an update to its Tax Overlay Services offering. With this enhancement, financial advisors can apply customized, ongoing tax-optimization approaches to the bulk of client assets within a unified managed account (UMA), dramatically increasing the assets eligible to be diversified out of low-cost-basis shares.

"Investors file their taxes once a year, but taxes should be managed throughout the year," said **Erik Preus, CFA, Managing Director of Envestnet | PMC**. "Our Tax Overlay Services make it possible for advisors to holistically manage most or all of a client's assets in a tax-smart manner throughout the year, with the goal of addressing that client's tax concerns and capital-gains tax budget across the portfolio."

Tax Overlay Services had traditionally enabled an advisor to manage a UMA in accordance with the individual client's long-term capital-gains tax budget, and minimize exposure to short-term capital gains, while tightly adhering to the intended manager/UMA model by limiting tracking error.

To accommodate advisors with clients whose portfolios are unable to meet these tracking error requirements, and may contain significant holdings that are not included in their intended manager/UMA model, PMC has developed the **Portfolio Diversification Service**. This innovation enables the PMC platform to apply Tax Overlay Services to UMAs with a higher degree of deviation from their models, as long as the assets are held within the Quantitative Portfolios (QPs) managed by Envestnet's Quantitative Research Group (QRG) team.

These portfolios are low-cost, indexed strategies with a large number of holdings, which gives PMC the ability to hold a greater percentage of non-model holdings and manage tracking error to more reasonable levels. As a result, UMAs can transition into the target model over the course of seven years, giving the advisor the flexibility to spread out tax consequences for the client.

"Clients for whom tax mitigation is more important than matching a particular model benefit because they can apply Tax Overlay Services to more of their assets," said **Dana D'Auria, CFA, Co-Chief Investment Officer of Envestnet**. "By harnessing our tax management innovations, advisors can add even more essential value to their advice and engagement."

The Portfolio Diversification Service also makes this capability available to clients who are transitioning low-cost-basis equity mutual funds and exchange-traded funds (ETFs) to new models. By holding out-of-model equity mutual funds and ETFs in the QP sleeves, PMC is able to sell them over multiple tax years rather than liquidating them at the account's inception.

"For high-net-worth individuals, short-term capital gains can sometimes be taxed at twice the rate of long-term capital gains. Our Tax Overlay Services empower advisors to mitigate short-term gains throughout client portfolios all year long, in alignment with every client's individual goals," said **Michael Pescatore, CIMA®, Senior Vice President and Overlay Services Director at Envestnet | PMC**. "To truly help clients improve outcomes, advisors must be able to manage tax realization in ways that address a client's precise needs and concerns. We look forward to working alongside more advisors to help clients achieve financial wellness through holistic tax management."

To learn more about the PMC Tax Overlay and its enhancements, please visit https://www.investpmc.com/solutions/portfolios/overlays.

About Envestnet

Envestnet, Inc. (NYSE: ENV) is transforming the way financial advice and wellness are delivered. Our mission is to empower advisors and financial service providers with innovative technology, solutions, and intelligence to make financial wellness a reality for everyone. Over 105,000 advisors across more than 5,100 companies—including 17 of the 20 largest U.S. banks, 47 of the 50 largest wealth management and brokerage firms, over 500 of the largest RIAs, and hundreds of FinTech companies—leverage the Envestnet platform to grow their businesses and client relationships.

For more information on Envestnet | PMC, please visitwww.investpmc.com.

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