

HELP CLIENTS TAKE CONTROL OF TAXES

MANAGE TAX EXPOSURE ON CLIENT ACCOUNTS BY CHOOSING FROM GOALS-BASED TAX LOT RELIEF METHODS



The Liberty platform gives you the ability to help clients align their tax strategy with their investment strategy.

The goal of tax management of a portfolio is to control the timing and amount of tax liabilities to increase after-tax returns. Trust Company of America enables you and your clients to administer investments to reflect personal tax preferences.

The cost basis for all security trades is tracked by “tax lot” (or group of shares). This means that if there are multiple tax lots per holding, when you or a money manager sells a portion of any position, the lots that are sold can be prioritized to facilitate the client’s preferred tax treatment. Clients also have the ability to change their tax lot relief preference as their tax situation requires.

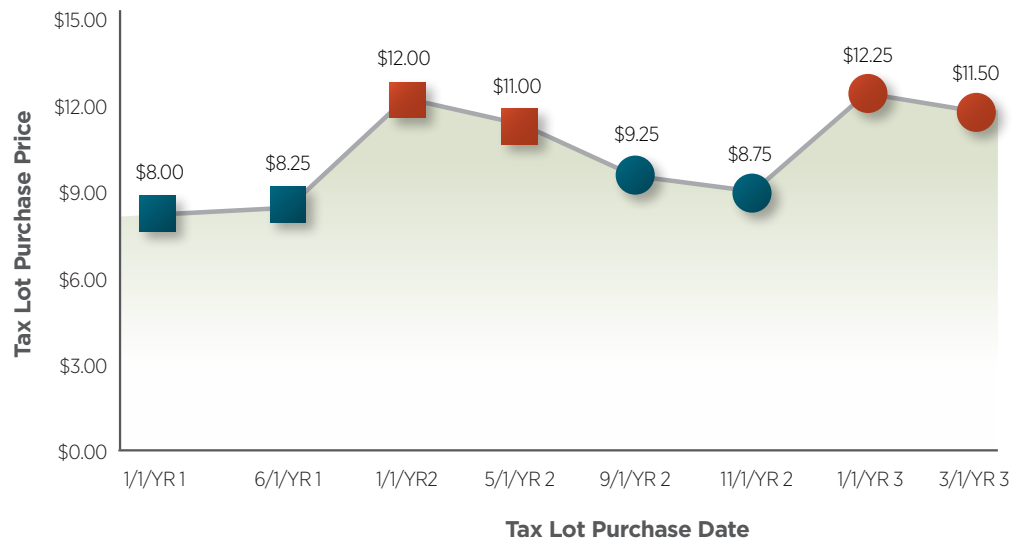
The choice of cost basis method can have a significant effect on the computation of capital gains and losses when shares are sold.

Trust Company of America’s tax lot relief options empower your clients to take control of their tax exposure, because they can decide (with your guidance) how to prioritize capital gains and losses when partial positions are sold. There are a variety of tax lot relief methods available for stocks and mutual fund shares, and one method available only for mutual fund shares.

Understanding the Available Tax Lot Relief Methods in Liberty

In the chart below, tax lots that have increased in value since the date of the initial purchase are shown in blue, and those that have declined in value are depicted in red. Circles represent tax lots with short-term gains/losses, and boxes symbolize those with long-term gains/losses.

HYPOTHETICAL TAX LOT PURCHASES



Use this chart to understand and review the available tax lot relief methods discussed in the subsequent pages of this brochure.

The date is the hypothetical day that the specific tax lot was bought. The dollar amount is the hypothetical share price on the date the tax lot was acquired. Finally, the percentage figure shown in the examples of each method in the subsequent pages of this brochure, represents the hypothetical change in value for the particular tax lot since it was purchased.

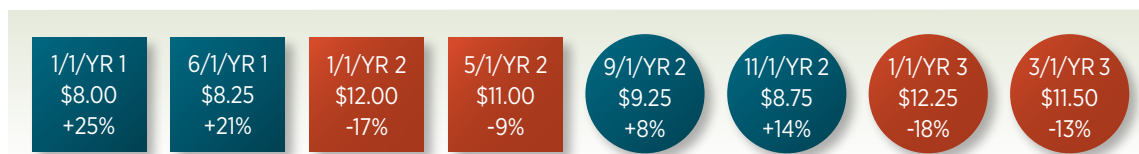
TAX LOT RELIEF METHODS TO CHOOSE FROM

First-In, First-Out

Sells tax lots in ascending order by purchase date

With this option, tax lots will be sold in the order in which they were acquired. Tax lots purchased first will be sold first. This may create short- or long-term gains or losses depending on how long the tax lots were held. Gains and losses, as well as holding period (long and short term), are not considered when using this tax-lot preference.

(Hypothetical example - use chart on page two for reference)



Last-In, First Out

Sells tax lots in descending order by purchase date

With this option, tax lots will be sold in the reverse order from which they were acquired. Tax lots purchased most recently (or last) will be sold first. This may create short- or long-term gains or losses depending on how long ago the most recent tax lots were purchased. Gains and losses, as well as holding period (long and short term), are not considered when using this tax-lot preference.

(Hypothetical example - use chart on page two for reference)

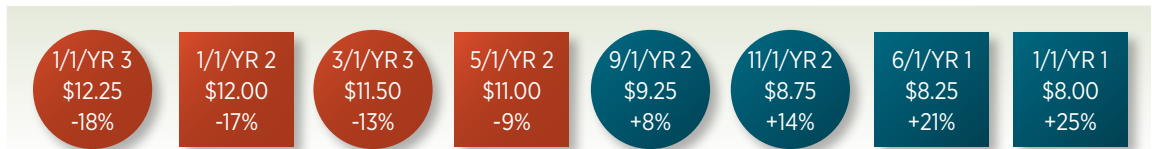


Maximize Taxable Loss

Sells tax lots in order of descending cost

With this option, holding periods (long or short term) are not considered when determining which tax lots to sell. Individual tax lots are ranked in descending order based solely on cost. The tax lot acquired with the highest cost basis will be sold first. If the trade requires additional shares to be sold, the process is repeated for each subsequent tax lot until the required number of shares is reached.

(Hypothetical example - use chart on page two for reference)

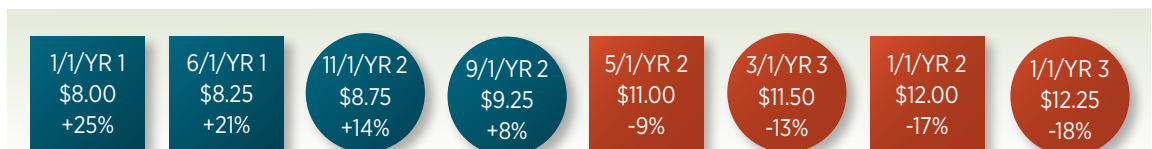


Minimize Taxable Loss

Sells tax lots in order of ascending cost

With this option, holding periods (long or short term) are not considered when determining which tax lots to sell. Individual tax lots are ranked in ascending order based solely on cost. The tax lots with the lowest unit cost basis are the first to be sold, regardless of the holding period. If the trade requires additional shares to be sold, the process is repeated for each subsequent tax lot until the required number of shares is reached.

(Hypothetical example - use chart on page two for reference)



Minimize Long-Term Taxable Gain

First sells long-term, then short-term tax lots in descending order of cost

With this option, holding periods (long or short term) are considered when determining which tax lots to sell. Individual tax lots are separated into long term and short term. The long-term tax lots with the highest unit cost are the first to be sold. If the trade requires additional shares to be sold, the process is repeated for each subsequent lot until the required number of shares is reached. If no long-term tax lots are found or if the number of long-term tax lots are insufficient to cover the sale, short-term tax lots are sold in descending order of cost.

(Hypothetical example - use chart on page two for reference)

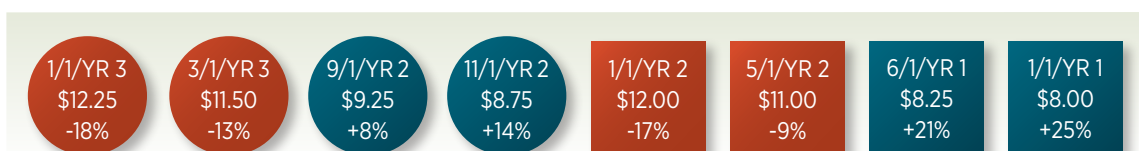


Minimize Short-Term Taxable Gain

First sells short-term, then long-term tax lots in descending order of cost

With this option, holding periods (long or short term) are considered when determining which tax lots to sell. Individual tax lots are separated into long term and short term. The short-term tax lots with the highest unit cost are the first to be sold. If the trade requires additional shares to be sold, the process is repeated for each subsequent lot until the required number of shares is reached. If no short-term tax lots are found or if the number of short-term tax lots are insufficient to cover the sale, long-term tax lots are sold in descending order of cost.

(Hypothetical example - use chart on page two for reference)



Maximize Long-Term Taxable Gain

First sells long-term, then short-term tax lots in ascending order of cost

With this option, holding periods (long or short term) are considered when determining which tax lots to sell. Individual tax lots are separated into long term and short term. The long-term tax lots with the lowest unit cost are the first to be sold. If the trade requires additional shares to be sold, the process is repeated for each subsequent lot until the required number of shares is reached. If no long-term tax lots are found or if the number of long-term tax lots are insufficient to cover the sale, short-term tax lots are sold in ascending order of cost.

(Hypothetical example - use chart on page two for reference)

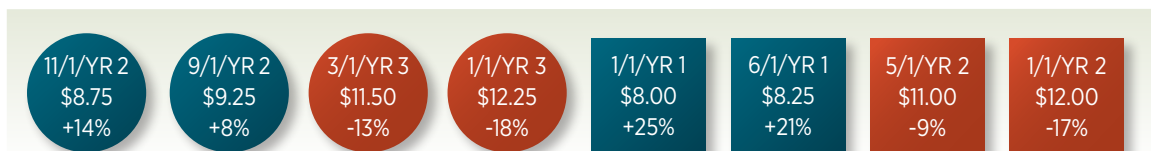


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With this option, holding periods (long or short term) are considered when determining which tax lots to sell. Individual tax lots are separated into long term and short term. The short-term tax lots with the lowest unit cost are the first to be sold. If the trade requires additional shares to be sold, the process is repeated for each subsequent lot until the required number of shares is reached. If no short-term tax lots are found or if the number of short-term tax lots are insufficient to cover the sale, long-term tax lots are sold in ascending order of cost.

(Hypothetical example - use chart on page two for reference)



Minimum Tax Impact

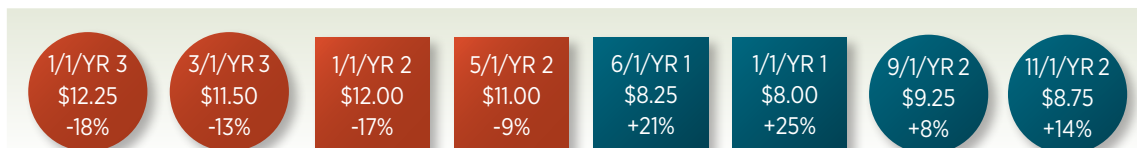
Tax lot system determines the best lot to sell to minimize after-tax gains

The automated Tax Lot Relief System determines the best lot to sell to minimize after-tax gains. The Minimum Tax Impact approach sells shares in the following order:

1. Short-term losses from greatest short-term loss to least short-term loss
2. Long-term losses from greatest long-term loss to least long-term loss
3. Long-term lots that reflect no gain or loss
4. Short-term lots that reflect no gain or loss
5. Long-term gains from least long-term gain to greatest long-term gain
6. Short-term gains from least short-term gain to greatest short-term gain

Minimum Tax minimizes overall portfolio taxable gains, assuming that short-term losses offset first against short-term gains, which are taxed at a higher rate.

Trust Company of America's Tax Lot Relief methods provides you and your clients with greater control over how you realize capital gains and losses.



Average Cost (for mutual fund shares only)

Reporting gains based on the average cost of all shares purchased

The average cost method is only available for mutual fund shares. With this option, the value of a pool of shares is assumed to be equal to the average cost of the shares in the pool. When using the average cost method, shares are sold using the FIFO tax lot relief method. The average cost is determined by taking the total price paid for all shares and dividing it by the total number of shares owned.

For example, if one share of mutual fund A is purchased on June 1 for \$12, again on June 15 for \$9, and again on Aug 10 for \$11, the average-cost method assumes that three shares were purchased for an average cost of \$10.66. This number is arrived at by adding \$12 + \$9 + \$11 and dividing the sum by 3, because there are three shares in the pool.

HELP CLIENTS MANAGE PORTFOLIOS MORE TAX EFFICIENTLY

The ability to apply tax management strategies on accounts will allow you and your clients to more efficiently tax manage portfolios. The choice of lot relief method can have a substantial impact on the amount of tax that may be paid when an asset is sold. Several factors can determine which method is best, including the amount of gain, the amount of income that year versus projected future income, and the method that was chosen for previous sales.

With Liberty, it's easy to change the default setting on taxable accounts. And clients can change the method easily online, as many times as they like.

For your tax-sensitive clients, specific identification can save them tax dollars. With your help, they can track gains and losses throughout the year, and choose the optimal cost basis method before they make transactions. Or they can just determine the best tax lot relief method for their situation and set that strategy as the default method on their account.

It may be helpful to remind clients that they may want to consult their tax professional on what method will work best for their situation.

To learn more about Trust Company of America's tax lot relief methods, please contact your Relationship Manager.

This brochure is for informational purposes only and is not meant to be comprehensive or replace the advice of a tax advisor. As required by the IRS, you are advised that any discussion of tax issues in this material is not intended or written to be used, and cannot be used, (a) to avoid penalties imposed under the Internal Revenue Code or (b) to promote, market or recommend to another party any transaction or matter addressed herein.

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