

Tax Efficiency Optimizer

Compare three asset location strategies to see how placing investments in the right accounts can save thousands in taxes over 20 years.

Key Concept - Asset Location: Different accounts have different tax treatments. Placing tax-inefficient investments (bonds, REITs) in tax-advantaged accounts and tax-efficient investments (stocks) in taxable accounts maximizes after-tax returns.

Account Type	Tax Treatment	Best For
Traditional IRA/401(k)	Tax-deferred growth, taxed at withdrawal	Bonds, REITs (high current income)
Roth IRA	Tax-free growth and withdrawal	Highest growth potential (stocks)
Taxable Brokerage	Annual taxes on dividends/gains	Tax-efficient index funds, munis

Your Scenario

Total Portfolio Value:

100000

Tax Bracket:

22% (Single: \$44K-\$95K)

Stock Allocation:

70% Stocks / 30% Bonds

Time Horizon:

20 Years

Calculate Strategies

Strategy Comparison

Random Placement

Traditional IRA:

50% stocks, 50% bonds

Roth IRA:

50% stocks, 50% bonds

Taxable:

50% stocks, 50% bonds

\$266,404

Baseline

 **Partially Optimized**

Traditional IRA:

70% bonds, 30% stocks

Roth IRA:

50% stocks, 50% bonds

Taxable:

70% stocks, 30% bonds

\$269,937

+\$3,532

 **Fully Optimized**

Traditional IRA:

100% bonds

Roth IRA:

100% stocks

Taxable:

Tax-efficient index funds

\$337,025

+\$70,621

Why does the optimized strategy outperform?

Consider how tax drag affects different asset types and where each grows most efficiently...

What factors might change the optimal strategy for different investors?

Consider current vs. future tax brackets, account sizes, and expected returns...