Destination: **Integrate**

Separately Managed Accounts: Tax management strategies help you keep hard-earned returns

Separately Managed Accounts are structured to help you reap the full reward of your investments and reduce your tax liability.

That kind of commitment requires a level of oversight and coordination that you may not find in other separately managed accounts.

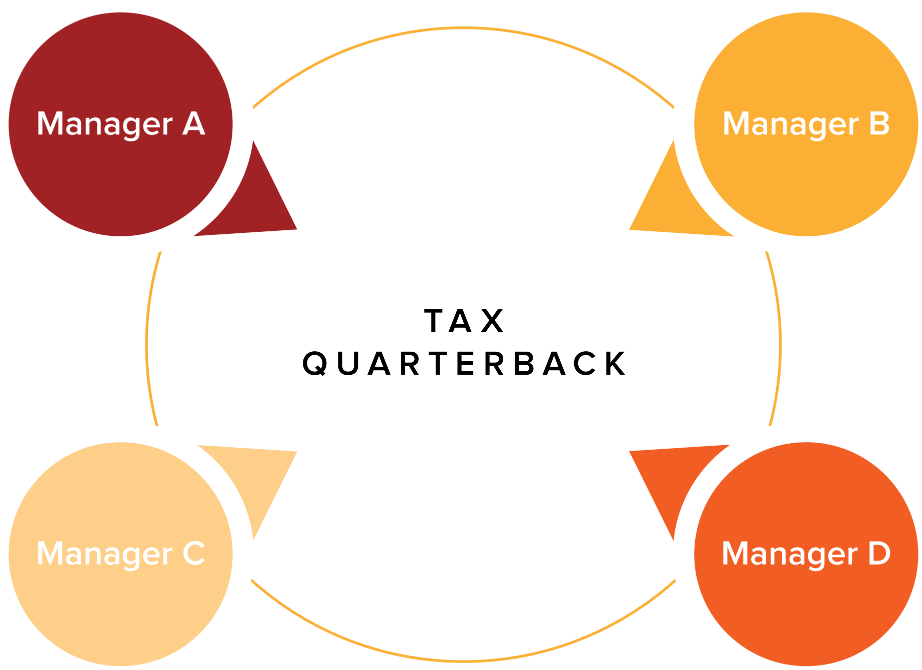
The managers who make trades in the account are instructed to make tax efficiency a top priority. Utilizing their knowledge of current tax law, they seek to add value to your account in several ways.

Here's an example: The returns from equities often come in the form of capital appreciation. But a capital-gains taxable event does not occur until the security is sold and the gains are "realized." Importantly, when you invest in separately managed accounts, you benefit from a "tax-managed" style that aims to produce a higher after-tax return. These accounts normally have lower investment turnover, and employ tax-smart tactics like tax lot accounting, loss harvesting and the transition of low-cost-basis stock. At that point, the managers have several tools available for your benefit:

- Deferring realization of capital gains until future tax years
- Accelerating realization of losses
- Showing bias for short-term losses and long-term gains and bias against short-term gains and long-term losses
- Taking advantage of the Wash Sale Rule, which involves selling a position and subsequent purchase of another position with most of the same characteristics

Integration manager – your tax quarterback

As illustrated below, an integration manager oversees the trading of the other managers. Acting as a "tax quarterback," the integration manager coordinates activity across all equity managers – in seeking to lower your tax exposure and transaction costs, while potentially enhancing your long-term, after-tax return.



Example: The Integration Manager at Work

Portfolio includes 200 shares XYZ at $80/share
100 shares with Manager A. Cost basis: $30
100 shares with Manager B. Cost basis: $75

Scenario 1
Typical separate account

Manager A decides to sell XYZ

Result: taxable event of $50/share

Scenario 2
Integrated separate account

Manager A decides to sell XYZ

Integrated manager arranges for sale of Manager B's shares

Result: taxable event of $5/share

Integration manager lowers tax obligation from sale by 90%

Not an actual investment. Hypothetical example for illustrative purposes only.

Tax-aware trading

The example to the left highlights the opportunity for saving on taxes using an integration manager. In most separately managed accounts, the managers trading on your behalf cannot see what the others are doing, which can result in you paying capital gains unnecessarily. The integration manager, who has a bird's-eye view of all manager activities, helps ensure that stocks with higher cost basis are sold first, helping you to defer or reduce taxes.

Take control today

Our role doesn't stop with construction and design of your portfolio. First, we work to keep your strategy on track through vigilant monitoring of your money managers. Then we coordinate the activities of the managers in seeking maximum tax savings.

Call your financial advisor today to see how a separately managed account can help to curb volatility, potentially reduce taxes and help you reach your financial destination.

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For a complete description of all fees and expenses for separately managed accounts, please refer to SEI Investments Management Corporation's ADV Part II.

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