

Mutual funds for the tax-conscious investor



Wealth Management

Mutual funds are diversified pools of assets designed to provide you with:

- Professional money management
- Diversification
- Flexibility and control
- Numerous investment objectives
- An easier way to invest

Nevertheless, mutual funds can distribute capital gains and dividend income on a yearly basis. For the tax-conscious investor, however, there are certain mutual funds that can help provide the benefits of mutual fund investing, while being conscious of the tax you will pay.

Tax-managed mutual funds

These mutual funds are managed to limit yearly capital gain distributions. Generally, the portfolio manager follows a buy and hold approach to investing. When securities are sold, the manager will offset the highest cost associated with the security to realize the smallest capital gain.

Municipal bond funds

These portfolios invest in bonds issued by states and municipalities to finance schools, highways, hospitals, airports and other public projects. Municipal bond funds can be national or state-

specific and come in a variety of terms: long, intermediate and short. In most cases, the income earned on these portfolios is free of federal tax, and many portfolios are managed to be free of both federal and state tax. You should consult your tax advisor before investing in municipal funds.

Index funds

These mutual funds mirror a specific index, such as the S&P 500 or the Russell 2000. The portfolio manager uses new money invested in the fund to buy securities in the open market that are also contained in the appropriate index. Index mutual funds tend to be more tax-efficient because of their bias for buying and holding. The portfolios are not actively managed, and the portfolio manager cannot independently decide to liquidate a position. Securities will be purchased and sold based on their status within a particular index. There are numerous index funds available at RBC Wealth Management designed to track a wide variety of indices. Here's a list of the most popular:

- **Small companies** — Represented by the Russell 2000
- **Medium companies** — Represented by the S&P 400
- **Large companies** — Represented by the S&P 500

Exchange funds

These products offer diversification and tax-sensitive investment management to persons holding large and concentrated positions in equity securities of select publicly traded companies. An investment in an exchange fund can be made by contributing to these shares. Please check the availability of the product and the fund's interest in your securities before considering this investment.

Additional considerations

Historical fund performance does not guarantee the same results in the future. Principal value, share prices and investment returns fluctuate with market conditions. Your investment may be worth more or less than your original cost when you redeem your shares.

Please consult your RBC Wealth Management® financial advisor for more information.

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

RBC Wealth Management does not provide tax advice. All decisions regarding the tax implications of your investments should be made in consultation with your independent tax advisor.