Pay attention to the details when selling investments

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The tax consequences of the sale of an investment, as well as your net return, can be affected by a variety of factors. You're probably focused on factors such as how much you paid for the investment vs. how much you're selling it for, whether you held the investment long-term (more than one year) and the tax rate that will apply.

But there are additional details you should pay attention to. If you don't, the tax consequences of a sale may be different from what you expect. Here are a few details to consider when selling an investment:

Which shares you're selling. If you bought the same security at different times and prices and want to sell high-tax-basis shares to reduce gain or increase a loss to offset other gains, be sure to specifically identify which block of shares is being sold.

Trade date vs. settlement date. When it gets close to year end, keep in mind that the trade date, not the settlement date, of publicly traded securities determines the year in which you recognize the gain or loss.

Transaction costs. While transaction costs, such as broker fees, aren't taxes, like taxes they can have a significant impact on your net returns, especially over time, because they also reduce the amount of money you have available to invest.

If you have questions about the potential tax impact of an investment sale you're considering — or all of the details you should keep in mind to minimize it — please contact us.

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