Estimated Tax Savings for Jane Q. Investor

Prepared for Account 1234567890 as of December 31, 2018

Smartleaf®

2018 Year-to-Date Estimated Tax Savings — Account Value: $755,224

This year, active tax management has saved you an estimated:

$15,800

(2.09 % Account Value)

This report is an estimate. It summarizes the year-to-date (YTD) taxes saved (or incurred) in your portfolio by performing active tax management. This is measured relative to the non-tax-managed alternative of rebalancing to the target daily, with no transaction costs.

	Estimated Tax Bill without Tax Management	$ 19712
—	Current Estimated Tax Bill	$ 3,912
	Estimated Tax Savings for 2018 (YTD)	$ 15,800

Since January 1, 2017, active tax management has saved you an estimated $ 30,000.

Estimates of taxes on capital gains and losses assume short- and long-term rates of 35 % and 15 %, respectively.

2018 YTD Estimated Tax Savings Details	
YTD Estimated Tax Savings from Gains not Realized	$ 12,420
YTD Estimated Tax Savings from Short-to-Long Events	$ 1,424
YTD Estimated Tax Savings from Net Loss Harvesting	$ 1,956
Total YTD Estimated Tax Savings	**$ 15,800**

Current Estimated Tax Bill	
Short-Term Realized Capital Gains Taxes (taxed at 35.00 %)	$ 1,956
Long-Term Realized Capital Gains Taxes (taxed at 15.00 %)	$ 1,956
Total YTD Estimated Tax Bill	**$ 3,912**

Your Tax Budget	
Annual Tax Budget	$ 34,940
YTD Remaining Annual Tax Budget	$ 22,500

Explanation

Estimated Tax Savings is the sum of three components:

- Estimated Tax Savings From Gains Not Realized: Taxes saved by not selling overweighted positions at a gain down to their target weights.
- Estimated Tax Savings From Short-term Gains Deferred to Long-term: Taxes saved by holding on to an overweighted position with short-term gains until it becomes long term.
- Estimated Tax Savings From Net Loss Harvesting: Taxes saved by selling a position at a loss below its target weight minus taxes incurred by selling a position at a gain below its target weight.

See Methodology and Definitions sections for additional information.

Methodology

The Estimated Tax Savings Report summarizes the year-to-date taxes saved (or incurred) in the portfolio relative to a hypothetical alternative of management using a clone rebalancing strategy (one that rebalances to the target daily, with no transaction costs).

Estimated Tax Savings are an approximation only. In particular:

- The Estimated Tax Savings do not account for potential follow-on tax consequences of tax decisions. For example, loss harvesting lowers the average cost basis of a portfolio, which can increase future realized gains. In addition, if the replacement security appreciates and is sold within one year, the gain will be taxed at short-term capital gains rates. The Estimated Tax Savings do not account for these effects, which may cause an overestimate of the value of loss harvesting.
- With underweighted positions, the Estimated Tax Savings can fail to adjust for realized losses or unrealized gains that would have occurred even without tax management. For example, suppose a position is loss harvested and, coincidentally, the security is removed from the target the next day. In this case, the position would have been sold at a loss anyway, even without tax management. The methodology for calculating Estimated Tax Savings does not retroactively uncredit the previous loss harvesting event, and this results in an overestimate of the value of loss harvesting.
- The Estimated Tax savings do not include the value of reinvesting saved taxes. This results in an underestimate of the value of both gains deferral and loss harvesting.
- Sale values are based on end-of-day pricing, not actual execution price.
- Estimated Tax Savings are calculated by the Smartleaf portfolio management system, based solely on trades through that system. It does not include the effect of trades exported from the system that were not executed or trades that did not come through the Smartleaf system.
- The Estimated Tax savings do not consider the holdings or trades of Bin assets (see definitions).
- Tax lot data is assumed to be correct.

Estimated Tax Savings are calculated as the sum of three components:

- From Gains Not Realized: Taxes saved by not selling overweighted positions at a gain down to their target weights.
- From Short-term Gains Deferred to Long-term: Taxes saved by holding on to an overweighted position with short-term gains until it becomes long term.
- From Net Loss Harvesting: Taxes saved by selling a position at a loss below its target weight minus taxes incurred by selling a position at a gain below its target weight.

Please note that:

- Estimated tax savings cannot be added across multiple years. Any given overweighted position can contribute to estimated taxes saved in multiple years. Therefore, the cumulative (multi-year) estimate of tax savings is not necessarily equal to the sum of the estimated tax savings reported for each constituent calendar year.
- The number of shares above/below target is calculated for each position relative to its weight in the target, rescaled to adjust for Bin holdings, Bin trades, ignored positions, reserved cash and holdings with never buy, never sell or never hold restrictions.
- In the case of loss harvesting and sales below the target at a gain, only the portion of the sale that puts the position below target weight counts towards/against the Estimated Tax Savings.
- For deferred gains and lots that go from short- to long-term status, only the portion of the position held above target weight counts towards the Estimated Tax Savings.
- The Estimated Tax Savings do not account for differences in the pre-tax returns of your portfolio and a hypothetical non-tax-managed alternative.

Definitions

Bin Holdings – Assets that are either illiquid, not easily priced, or otherwise do not lend themselves to the risk-model analysis that the Smartleaf system applies to common stocks, mutual funds, ETFs and ADRs. These assets are not tax managed and are not included in the Estimated Tax Savings calculation. Examples of assets that might be represented by a Bin include fixed income instruments, hedge fund investments, real estate, art, coin collections and other illiquid assets.

Capital Gain (Loss) – The amount by which a holding's current value is above (below) its purchase price. Until the asset is sold it is an unrealized capital gain (loss). After it is sold, it is a realized capital gain (loss). For most investments, there is a tax on realized capital gains. This tax is usually larger for short-term gains (gains on assets held less than a year) than for long-term gains (gains on assets held for more than a year).

Loss Harvesting – Selling a holding at a loss in order to offset taxable realized capital gains from elsewhere in the portfolio. Losses cannot be used to lower taxes if you repurchase the underlying security within the next 30 days (or if you "doubled up" your exposure to the underlying security within the previous 30 days).

Target – The portfolio that we would recommend for you if you started with all cash and no restrictions. The target does not take into account your existing holdings or customization restrictions (e.g., social criteria restrictions).

Annual Tax Budget - An approximate limit on the maximum dollar amount of tax costs from net realized capital gains generated by trading the account during the calendar year. Note that a tax budget does not limit mutual fund or exchange traded fund (ETF) capital gain distributions, which may incur additional tax costs. Note also that some actions, including cash withdrawals, may result in tax costs that exceed the indicated annual tax budget. Finally, a tax budget constraint does not limit the tax impact of trades made outside the Smartleaf system.

The Estimated Tax Savings Report is available for taxable accounts that have traded within the past 180 days.