



Parametric's SMA Platform

Dear valued client,

As you may be aware, the Biden administration has proposed revenue and spending plans that may affect income tax rates, capital gains tax rates, and cost-basis step-up on inherited assets.

Parametric is tracking the legislation closely and preparing to accommodate the changes—not only as proposed but also for alternative outcomes that may be more likely. Here's a summary of the main tax-policy changes applicable to the taxable equity investor.

Proposal	Details
Increase the top rate on ordinary income	The 2017 tax cut would be reversed, increasing the top rate from 37% to 39.6%.
Long-term capital gains and Qualified Dividend Income taxed as ordinary income for Adjusted Gross Income less than \$1 million	Not all earners in the highest income bracket, currently at \$518,400 for individuals and proposed to be reduced to \$400,000, will meet this threshold.
Elimination of cost basis step-up	The policy proposal would abolish the step up in cost basis for an inherited investment.

Unless otherwise instructed, Parametric assumes the highest federal tax rates when managing portfolios and reporting after-tax returns. We'll continue to do so, and we can apply custom tax rates to your client's accounts upon request. Given some of the proposed tax changes, the ability to use custom rates and adjust them over time may become even more valuable. If sweeping changes are enacted, we'll work closely with you to review and update the tax rates for

your clients' accounts as needed.

With the prospect of higher taxes in the future, we've created a *Tax Change Calculator* that explores the possible taxes saved by accelerating long-term capital gains in the current tax regime compared to deferring gains into the future tax regime. The calculator considers an investor's unique portfolio, time horizon, and assumptions about future returns and tax rates to help answer the question: Should your clients pay taxes now or later? This calculator will be available on our SMA Platform this summer, and we'll provide access instructions at that time.

While the administration's proposals help us understand what changes may be coming, it's likely they're just the beginning of the bargaining process. At Parametric, we will continue to follow all upcoming tax proposals and provide updates as they develop.

If you have questions or feedback about this feature, contact your Parametric representative or email us at WealthManagement@paraport.com.

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