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E*TRADE EXAMINES THE TACTICS OF TAX-CONSCIOUS INVESTORS

Despite heavy trading in retirement accounts to manage tax liabilities, most do not employ all the tactics at their disposal

NEW YORK, March 31, 2015 — E*TRADE Financial Corporation (NASDAQ: ETFC) today announced results from the most recent wave of *StreetWise*, E*TRADE's quarterly tracking study of experienced investors. Results reveal that while many investors are tax conscious, most do not use all the tools available as they plan for taxes each year.

Trading more frequently in tax-advantaged accounts is the top tactic — more than twice as popular as selling losing positions, at second place. According to the survey, the most popular tax tactics in order are:

1. Investing in tax-advantaged accounts, such as 401(k)s, 403(b)s, IRAs and Health Savings Accounts (45 percent).
2. Selling positions that have lost value in order to offset capital gains (18 percent).
3. Holding investments for at least one year to reap lower tax rates on gains (17 percent).
4. Investing in tax-free municipal bonds (10 percent).
5. Investing in tax-advantaged deferred annuities (6 percent).
6. Investing in funds with low portfolio turnover (4 percent).

“To prepare for retirement, it is critical to invest with discipline,” said Lena Haas, SVP of Retirement, Investing and Savings at E*TRADE Financial. “Understanding tax implications is key to successfully executing an investment plan and, if overlooked, can hinder overall returns. Like contributions and investment choices, tax implications deserve considerable attention and thoughtfulness.”

Ms. Haas also observed the following additional insights from the survey:

- **Account diversity is in.** Nearly nine out of 10 experienced investors agree that to have a successful retirement, you need more than just a 401(k). Holding assets within varying tax-advantaged accounts — those that are tax-deferred like 401(k)s and Traditional IRAs, and those with pre-tax treatment like Roth IRAs — allows for more control over tax bills. For example, investors with Roth IRAs pay taxes at the point of each contribution and no taxes upon receiving qualified distributions. With tax-deferred accounts, investors pay no taxes with each contribution but pay upon receiving qualified distributions, which may be taxed at a lower capital gains rate.
- **Allocation matters.** Account type is key for tax-conscious investors, as the survey shows that nearly half of all trades occur in a tax-preferred retirement account. Yet a key component of any successful investment plan is asset allocation, wherein disciplined contributions are made and rebalanced regularly to align with long-term goals.
- **Only a few investors focus on tax-wise investments**. The survey shows that only 20 percent of experienced investors focus on tax-conscious securities. But these vehicles can play a key role in helping investors allocate in a way that aligns with long-term goals. Other tax-conscious securities include tax-efficient ETFs, as well as index equity funds and individual stocks. The former can mitigate taxable capital gains distributions, while the latter allows investors to choose when to realize a capital gain. There are also tax-efficient managed accounts for investors who would like someone to help do the work.

E*TRADE is a partner in helping investors balance today’s needs with tomorrow’s goals, through pioneering digital tools and personalized, smart guidance online and from seasoned financial consultants. To learn more about E*TRADE’s trading and investing platforms and tools, visit etrade.com.

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About the Survey
This wave of the survey was conducted from Jan. 8 to Jan. 16 of 2015 among an online U.S. sample of 945 self-directed active investors who manage at least $10,000 in an online brokerage account. The survey has a margin of error of ±3.2 percent at the 95 percent confidence level. It was fielded and administered by ResearchNow. The panel is 65 percent male and 35 percent female with an even distribution across online brokerages, geographic regions and age bands.

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