

## Direct indexing: Unlocking SMarT Possibilities

## CLIENT OPPORTUNITY

# Transition away from a concentrated stock position to a direct indexing SMA

Converting to a tax-aware, personalized portfolio offers a compelling solution



## Client scenario:

Andrew Taylor, a longtime Florida resident, has dedicated almost two decades as an executive with his employer, accumulating a significant stake in company stock. While he values this ownership, he's increasingly aware of the concentration risk it poses to his broader investment portfolio. Andrew would like to transition this exposure to a diversified stock portfolio, excluding the company stock as a holding.



### Goals:

- Reduce single-stock concentration risk
- Enhance portfolio diversification
- Increase after-tax returns



### Challenges:

- Create a personalized portfolio composition to tackle new goals (Direct Indexing SMA: equity portfolio minus company stock)
- Increase the tax efficiency of the portfolio
- Create an effective transition plan



### Solution:

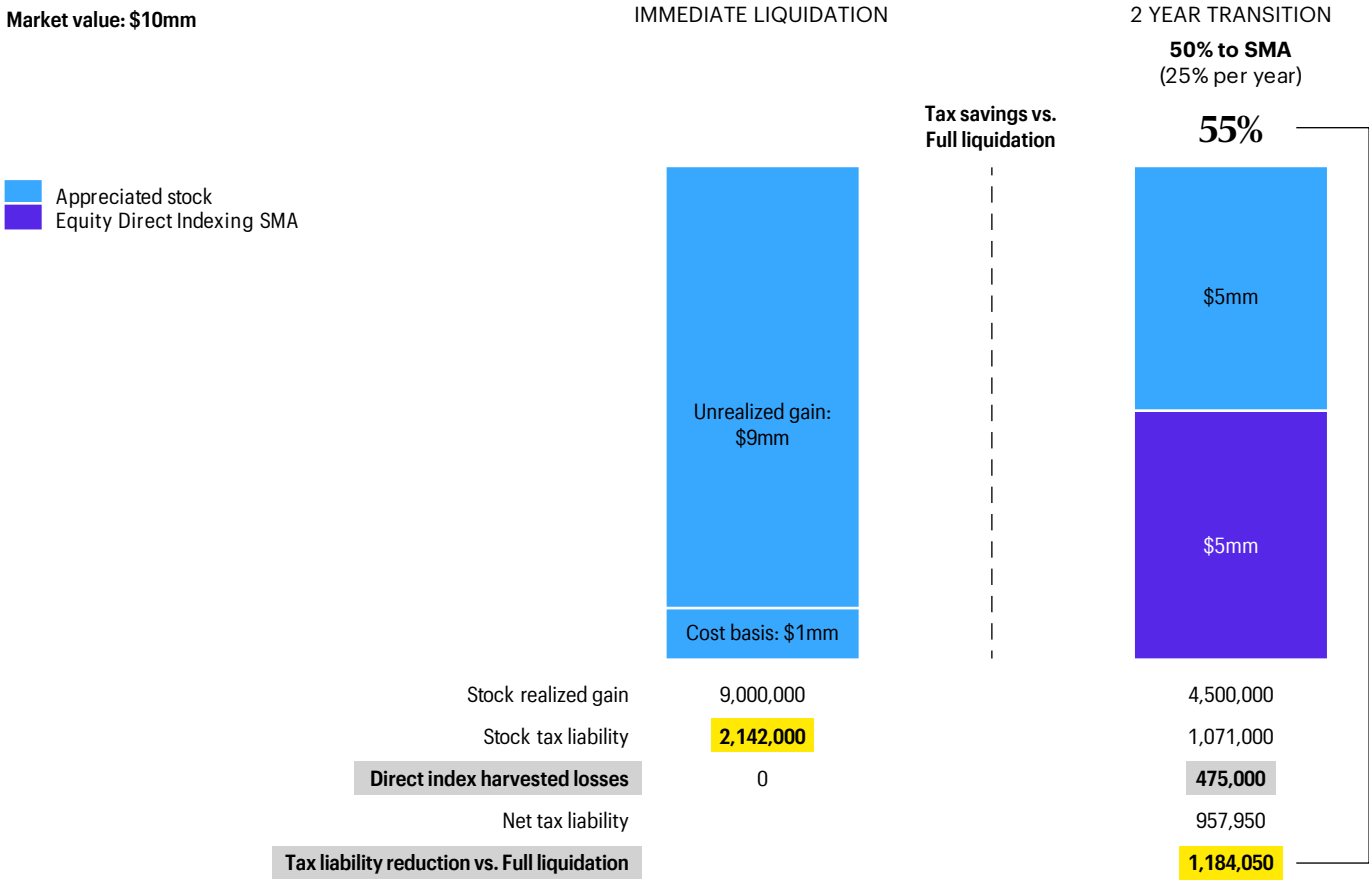
- Execute an effective exit and transition plan
- Use a systematic, tax-efficient process to transition to a customized SMA that's specifically designed for pursuing Andrew's goals
- Fund a personalized, cost-effective, and tax-efficient direct index SMA

Implementation:

Selling Andrew’s entire position in company stock all at once could leave him with a relatively high taxable capital gain. Instead, Andrew may prefer a gradual approach to reduce his overall tax burden. As his company stock holdings are liquidated, the sale proceeds can be used to fund the new direct indexing SMA strategy—tailored to address Andrew’s specific needs.

Results in  
**55%**  
tax savings

POTENTIAL TRANSITION OVER TIME



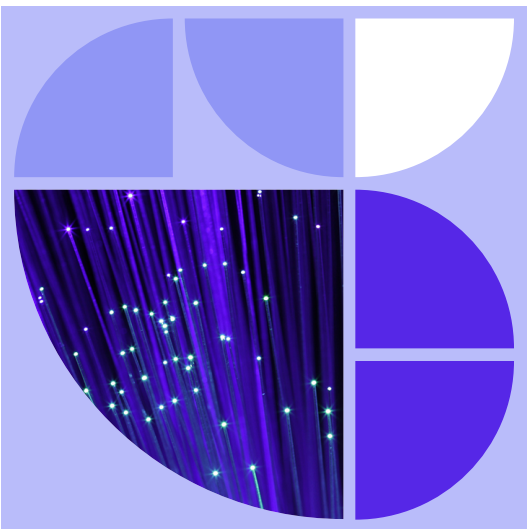
Source: Allspring Global Investments. Illustrative purposes only. The illustration provided is hypothetical and assumes that all gains and losses are long-term, taxed at the highest current rate (23.8%), inclusive of the additional net investment income tax of 3.8%. State income taxes are not reflected in the illustration as Florida has no state income tax.. Key assumptions in the illustration include (1) there are no separate tax lots in the appreciated stock holding, (2) capital deployed in the US large-cap direct indexing strategy at the beginning of each annual period generates losses equal to 7.5% of portfolio value in the first year, 4% in the second year, and 2.5% in each subsequent year, (3) stock and portfolio values are held constant, in other words, we assume no stock or portfolio appreciation or depreciation over the transition horizons and (4) there are no management fees or transaction costs. Actual gains and losses will vary depending on specific circumstances and the market environment.

New portfolio benefits:

Reduced concentration risk

Enhanced and ongoing tax-management, creating greater tax alpha potential

Increased portfolio flexibility, customization, and personalization



## Direct indexing with Remi

Remi is Allspring's intelligent solution for personalizing separately managed account portfolios—powered by technology, research, human insights, and systematic tax management. Remi combines Allspring's proven investment expertise with powerful and proprietary technology to deliver truly tailor-made, tax-optimized, and cost-effective multi-asset portfolio solutions.

Investors may choose from multiple investment options with Remi. If you are seeking to build a systematic, tax-efficient, personalized direct indexing investment portfolio, explore Remi.

**Interested in learning more? Go to [Allspringglobal.com/remi](https://allspringglobal.com/remi).**

Remi is a solution for personalizing separately managed account portfolios, powered by technology, research, and human insights. Remi's portfolio construction engine, backed by our fundamental research team, simplifies transitions and tax management. Remi is a service of Allspring Funds Management, LLC.

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