Investment Strategy

Interpreting key concepts and choosing appropriate strategies

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Designing your specialized investment strategy

Your goals are as unique as you are.

That's why your personal investment strategy needs to reflect the following:

- Where you're headed
- How you plan to get there
- What your specific objectives are
- When you want to achieve them
- What level of risk you're willing to accept to reach your goals

In this discussion guide, we'll take a look at how you can use several investment strategies to serve your family's unique needs. The strategies are broken into two categories—asset allocation and tax efficiency.

Portfolio Review

At Fidelity, we believe:

Investors should begin the portfolio review process by clearly defining their investing goals and time frame, then commit to periodic reviews of their portfolio.

Asset Allocation

At Fidelity, we believe:

- Asset allocation is the single most important factor in assessing the long-term risk-and-return characteristics of a diversified portfolio.
- Efficient portfolio diversification can be one way to lower a portfolio's risk while maintaining its expected return.

Tax Efficiency

At Fidelity, we believe:

- Overlooking the potential impact taxes can have on investment returns is one of the most common mistakes investors make.
- The type of account in which you hold certain assets can make a major difference in how much you can earn, after tax, over time.

Strategic asset allocation

Build a strategy designed for your needs, and stay committed to it.

Investors can trail the market significantly. Decisions by investors to get in and out of the market or to select underperforming investments can cause them to generate far lower returns than the overall market.

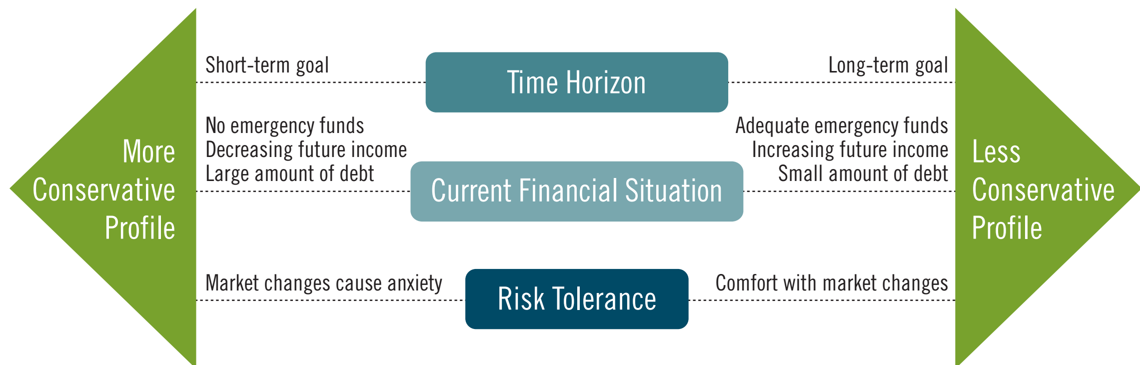
Asset allocation is the single most important factor in assessing the long-term risk-and-return characteristics of your portfolio. Research shows that the strategy of selecting the percentage of stocks, bonds, and cash in a portfolio can be said to be responsible for more than 90% of the variability in portfolio returns.[2]

Poor asset allocation decisions can cause the returns of the average stock or bond investor to lag the respective markets. You should allocate your investments across stocks, bonds, and cash to help reduce portfolio risk, seek attractive returns, and avoid the pitfalls of market timing. In addition, investors with longer time horizons have the capacity to accept a higher level of portfolio volatility associated with a more significant weighting in equities, which should include broadly diversified international funds to take advantage of diversification benefits outside the United States.

Determining your asset mix.

Your time horizon, current financial situation, and risk tolerance for market swings will influence how aggressively or conservatively you choose to invest.

DETERMINING YOUR ASSET MIX

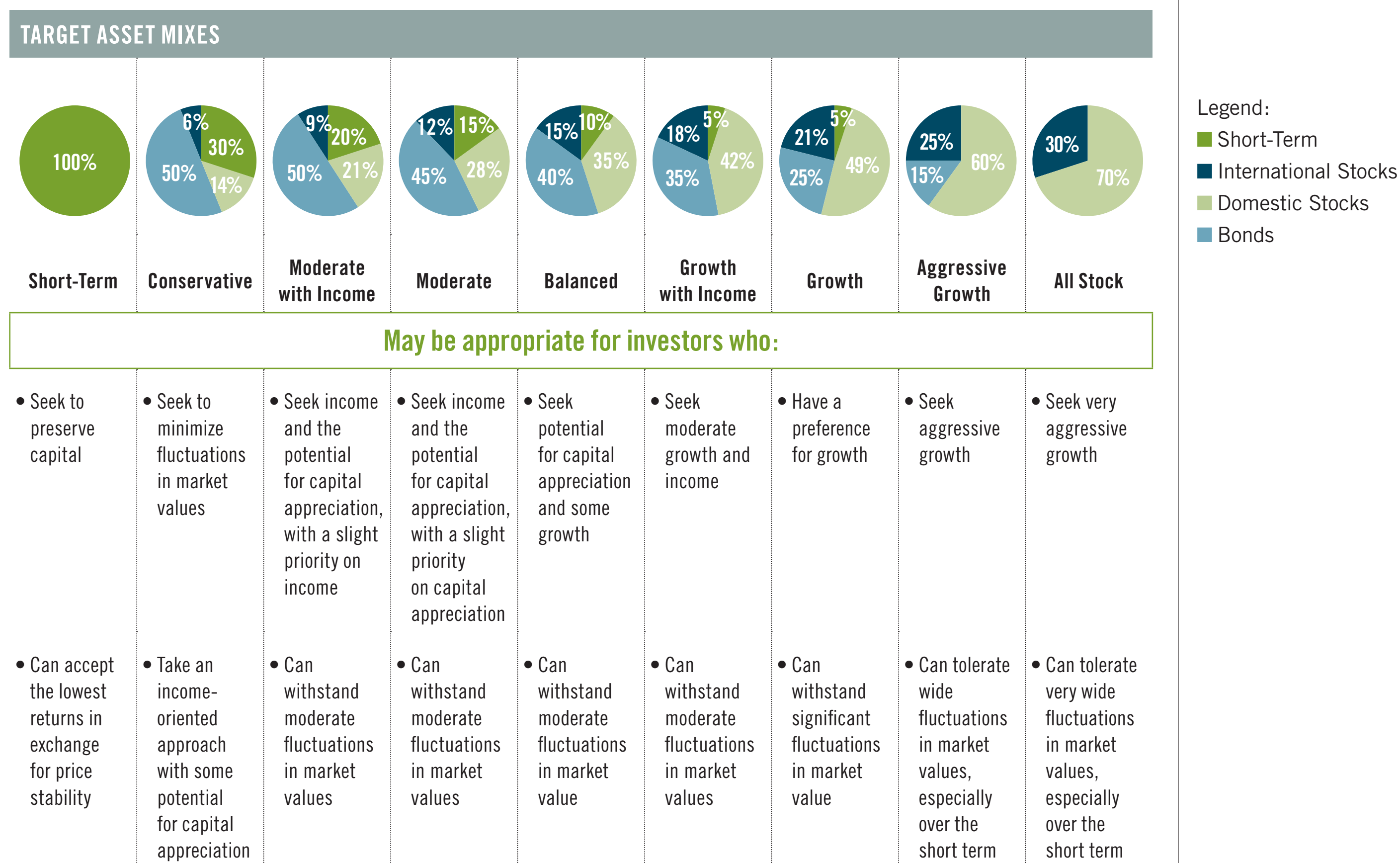


- Where do you fall on the spectrum of time horizon, current financial situation, and risk tolerance?
- How has your risk tolerance influenced your investment decisions?

Consider portfolio diversification and select your target asset mix.

Portfolio diversification is the mix of stocks, bonds, and cash held in a portfolio. One way to help protect yourself from the unpredictability of the market may be to diversify your holdings across these three main types of investments. This approach can help lower the risks associated with having all your money in only one type of investment.

Your asset mix depends largely on your specific financial situation. Typically, a longer investing time frame allows for a higher percentage of stocks in your portfolio. If you are near retirement you may want to consider a gradual process of transitioning into a lower volatility asset mix. Keep in mind that retirement for some investors could last 30 years or longer, so the growth potential of your portfolio should still be an important consideration when selecting your investment mix.



TARGET ASSET MIXES

Short-Term	Conservative	Moderate with Income	Moderate	Balanced	Growth with Income	Growth	Aggressive Growth	All Stock
100%	6% 30% 14% 50%	9% 20% 21% 50%	12% 15% 28% 45%	15% 10% 35% 40%	18% 5% 42% 35%	21% 5% 49% 25%	25% 60% 15%	30% 70%
May be appropriate for investors who:								
• Seek to preserve capital	• Seek to minimize fluctuations in market values	• Seek income and the potential for capital appreciation, with a slight priority on income	• Seek income and the potential for capital appreciation, with a slight priority on capital appreciation	• Seek potential for capital appreciation and some growth	• Seek moderate growth and income	• Have a preference for growth	• Seek aggressive growth	• Seek very aggressive growth
• Can accept the lowest returns in exchange for price stability	• Take an income-oriented approach with some potential for capital appreciation	• Can withstand moderate fluctuations in market values	• Can withstand moderate fluctuations in market values	• Can withstand moderate fluctuations in market value	• Can withstand moderate fluctuations in market values	• Can withstand significant fluctuations in market value	• Can tolerate wide fluctuations in market values, especially over the short term	• Can tolerate very wide fluctuations in market values, especially over the short term

Legend:
- Short-Term
- International Stocks
- Domestic Stocks
- Bonds

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• What has led you to arrive at your current asset mix?

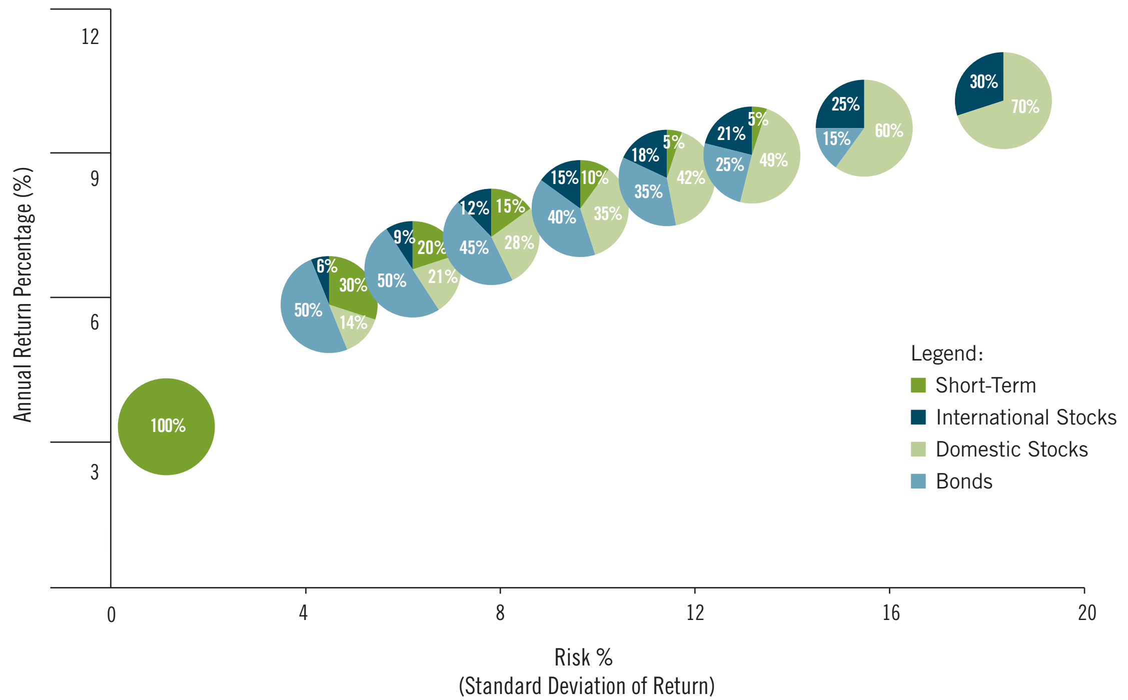
Strategic asset allocation

(continued)

Consider your asset mix return and volatility trade-offs.

Historically, as a portfolio's stock exposure increases, the potential for both higher returns and larger losses also increases. However, over longer time periods, volatility of returns is reduced.

ASSET MIX RISK AND RETURN



	Short-Term	Conservative	Moderate with Income	Moderate	Balanced	Growth with Income	Growth	Aggressive Growth	All Stock
Average Return	3.26%	5.93%	6.71%	7.37%	7.99%	8.59%	9.05%	9.77%	10.31%
Historic Volatility	0.87%	4.47%	6.13%	7.80%	9.52%	11.28%	13.02%	15.70%	18.37%

Source: Fidelity Investments and Morningstar Inc. Hypothetical value of assets held in untaxed portfolios invested in U.S. stocks, international stocks, bonds, or short-term investments. Stocks, international stocks, bonds, and short-term investments are represented by total returns of the IA SBBI US Large Stock TR USD Ext 1/1926–1/1987, Dow Jones Total Market from 2/1987–12/2021; IA SBBI US Large Stock TR USD Ext 1/1926–12/1969, MSCI EAFE 1/1970–11/2000, MSCI ACWI Ex USA GR USD 12/2000–12/2021; US Intermediate-Term Government Bond Index from 1/1926–12/1975, Barclays Aggregate Bond from 1/1976–12/2021; and IA SBBI US 30-Day T-Bills 1/1926–12/2021. Standard deviation does not indicate how the securities actually performed but indicates the volatility of their returns over time. A higher standard deviation indicates a wider dispersion of past returns and thus greater historical volatility. The chart does not represent the performance of any Fidelity fund. You cannot invest directly in an index. Stock prices are more volatile than those of other securities. Government bonds and corporate bonds have more moderate short-term price fluctuation than stocks but provide lower potential long-term returns. US Treasury bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate. The purpose of the asset mixes is to show how asset mixes may be created with different risk-and-return characteristics to help meet an investor's goals. You should choose your own investments based on your particular objectives and situation. Remember that you may change how your account is invested. Be sure to review your decisions periodically to make sure they are still consistent with your goals. **Past performance is no guarantee of future results. Asset allocation does not ensure a profit or guarantee against a loss.**

Sub-Asset Class Diversification

Establishing your asset allocation mix is important, but your investment strategy also needs to take into consideration the sub–asset classes, or the more specific holdings of several categories of assets.

Not all market capitalizations, sectors, and regions prosper at the same time. By spreading your investments across several asset classes and sub–asset classes, you may be able to reduce portfolio risk and take advantage of opportunities as various assets rotate in and out of favor.

Stocks

At the heart of diversification is the concept of correlation, or the measure of how the returns of two investments tend to move together, i.e., whether their returns move in the same or in opposite directions, and to what degree. To build a diversified portfolio, you should consider owning investments across multiple asset classes. This is because different asset classes typically have different risk-return trade-offs.

Because it's impossible to predict which will outperform, you should diversify not only across asset classes but also within an asset class. For example, within equities, you could have large-, medium-, and small-capitalization stocks; growth and value stocks; and domestic and international stocks.

Bonds

Fixed-income investing is a critical component of asset allocation. Diversifying across a broad spectrum of fixed-income issuers, sectors, and maturities may significantly improve your portfolio's risk-adjusted return while helping to protect it against interest rate changes.

- How have you attempted to reduce risk in your portfolio?
- How familiar are you with different sub–asset classes in the market?

PERFORMANCE ROTATIONS UNDERSCORE NEED FOR DIVERSIFICATION*

'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21	YTD '22
79.0%	27.6%	7.8%	20.1%	38.8%	27.1%	5.1%	21.3%	37.8%	0.0%	35.8%	38.3%	39.9%	18.4%
58.1%	26.9%	7.3%	18.6%	34.2%	13.7%	2.3%	18.4%	29.6%	–2.1%	31.5%	20.0%	28.7%	–10.3%
37.0%	19.2%	4.4%	17.5%	32.7%	12.7%	1.4%	17.5%	25.3%	–2.3%	28.1%	18.7%	27.1%	–13.1%
32.0%	17.6%	2.2%	17.5%	32.4%	12.4%	0.5%	12.0%	21.8%	–4.1%	26.3%	18.4%	25.8%	–14.0%
27.4%	16.8%	2.1%	16.3%	22.9%	6.4%	–0.1%	11.8%	14.7%	–4.4%	25.5%	14.1%	25.4%	–15.9%
27.2%	16.2%	1.2%	16.0%	16.6%	6.0%	–0.7%	11.6%	14.6%	–4.5%	22.3%	8.0%	14.8%	–17.5%
26.5%	15.1%	–0.1%	15.5%	7.4%	4.9%	–4.1%	9.3%	13.2%	–8.6%	19.9%	7.5%	11.5%	–19.3%
22.9%	15.1%	–4.2%	15.2%	3.2%	2.5%	–4.4%	7.4%	9.3%	–11.0%	18.9%	6.1%	11.2%	–19.4%
19.8%	11.6%	–12.0%	11.6%	–2.0%	–1.8%	–4.6%	7.2%	7.5%	–11.2%	14.4%	2.9%	5.3%	–20.0%
18.9%	7.9%	–13.3%	4.2%	–2.3%	–4.8%	–14.6%	2.6%	3.5%	–13.6%	8.7%	–3.1%	–1.5%	–23.4%
5.9%	6.5%	–18.2%	–1.1%	–9.5%	–17.0%	–24.7%	1.2%	1.7%	–14.2%	7.7%	–5.9%	–2.2%	–28.2%

Legend

- Commodities
- Investment-Grade Bonds
- Domestic Value Stocks
- High-Yield Bonds
- Diversified Portfolio
- Emerging Market Stocks
- Real Estate Income Stocks
- International Developed Stocks
- Domestic Large Cap Stocks
- Domestic Small Cap Stocks
- Domestic Growth Stocks

***Past performance is no guarantee of future results.** Diversification/asset allocation does not ensure a profit or guarantee against loss. It is not possible to invest directly in an index. All indexes are unmanaged. Please see Important Information for index definitions. Diversified Portfolio—42% Dow Jones U.S. Total Stock Market Index, 18% MSCI EAFE Index, 35% Bloomberg US Aggregate Bond Index, 5% Bloomberg 3-Month Treasury Bill Index and is rebalanced monthly; Domestic Large Cap Stocks—S&P 500® Index; Domestic Small Cap Stocks—Russell 2000 Index; Domestic Growth Stocks—Russell 3000 Growth Index; Domestic Value Stocks—Russell 3000 Value Index; International Developed Stocks—MSCI EAFE Index Net MA; Emerging Market Stocks—MSCI Emerging Markets Index (G); High Yield Bonds—BofA Merrill Lynch US High Yield Constrained Index; Investment Grade Bonds—Bloomberg U.S. Aggregate Bond Index; Real Estate Income Stocks—FTSE NAREIT Equity-Only Index; Commodities—Bloomberg Commodity Index (Price Return). Diversified Portfolio Benchmark—PAS Growth with Income Composite comprised of allocations to Dow Jones U.S. Total Stock Market Index (Domestic Stocks), MSCI ACWI (All Country World Index) ex USA Index Net MA (International Stocks), Bloomberg US Aggregate Bond Index (Bonds), Bloomberg US 3 Month Treasury Bellwether Index (Short-Term). Note that prior to August 2009 the composite benchmark included the Bank of America High Yield Master Constrained Index. Source: Fidelity Investments as of 6/30/22.

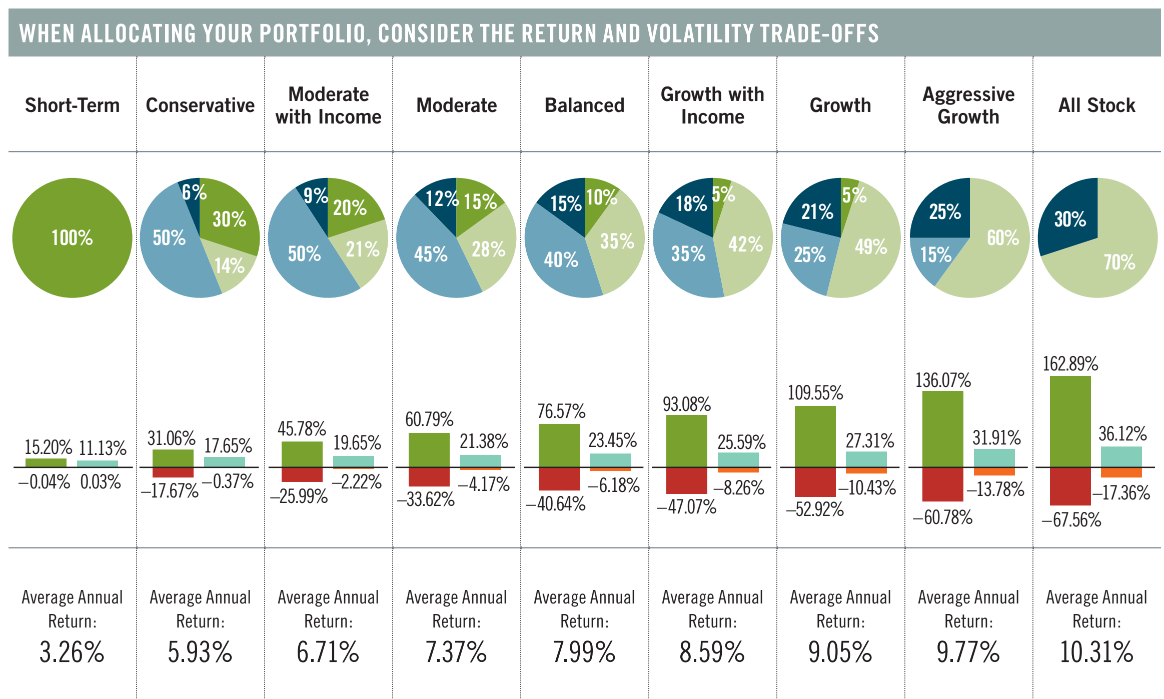
Choosing the appropriate mix

A diversified portfolio will help you find a mix of potential return versus risk you can remain comfortable with.

With retirements spanning 30 years or more, you'll want to find a balance between growth and preservation.

It's important to choose a mix of stocks, bonds, and cash that is appropriate for your investing goals. Take into account your time horizon, your financial situation, and your tolerance for market shifts. This chart illustrates how various asset allocation mixes can affect the levels of risk-and-return potential.

An overly conservative strategy can result in missing out on the long-term potential of stocks, while an overly aggressive strategy can mean taking on undue risk during volatile markets.



Legend:
- Short-Term
- International Stocks
- Domestic Stocks
- Bonds

Legend:
- Highest One-Year Return
- Lowest One-Year Return
- Highest Five-Year Return
- Lowest Five-Year Return

Source: Fidelity Investments and Morningstar Inc. Hypothetical value of assets held in untaxed portfolios invested in U.S. stocks, international stocks, bonds, or short-term investments. Stocks, international stocks, bonds, and short-term investments are represented by total returns of the IA SBBI US Large Stock TR USD Ext 1/1926–1/1987, Dow Jones Total Market from 2/1987–12/2021; IA SBBI US Large Stock TR USD Ext 1/1926–12/1969, MSCI EAFE 1/1970–11/2000, MSCI ACWI Ex USA GR USD 12/2000–12/2021; US Intermediate-Term Government Bond Index from 1/1926–12/1975, Barclays Aggregate Bond from 1/1976–12/2021; and IA SBBI IA SBBI US 30-Day T-Bills 1/1926–12/2021. It is not possible to invest directly in an index. Performance returns for actual investments will generally be reduced by fees and expenses not reflected in these investments' hypothetical illustrations. Indexes are unmanaged. Generally, among asset classes, stocks are more volatile than bonds or short-term instruments and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Although the bond market is also volatile, lower-quality debt securities, including leveraged loans, generally offer higher yields compared with investment-grade securities, but also involve greater risk of default or price changes. International markets can be more volatile than US markets due to increased risks of adverse issuer, political, market, or economic developments, all of which are magnified in emerging markets.

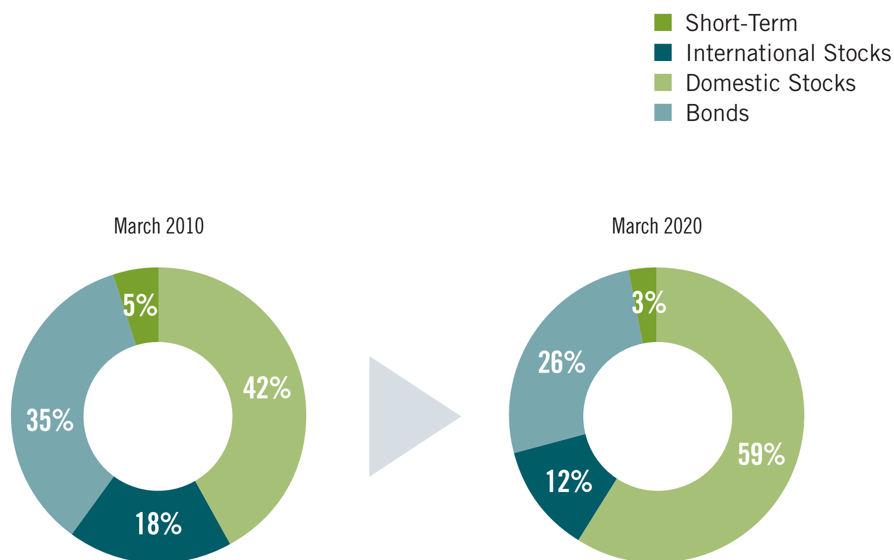
Past performance is no guarantee of future results. Asset allocation does not ensure a profit or guarantee against a loss.

Portfolio rebalancing

Rebalance on a regular basis so your portfolio's mix of investments does not shift significantly over time.

Diversification alone is not enough. Once you have established a target mix of investments, you should regularly review and rebalance your portfolio. Over time, market performance can shift your portfolio's allocation, making it either more aggressive or more conservative than you had planned. That's why you should evaluate your portfolio at least once a year and adjust it, if necessary, to bring it back in line with your targeted mix.

MONITOR YOUR PROGRESS: REBALANCE



What happens when a portfolio is not rebalanced regularly?

This hypothetical portfolio illustrates how shifting markets and portfolio returns can leave your portfolio with a risk level that is inconsistent with your goals and strategy.

- How often do you review and rebalance your portfolio?
- What has triggered you to do this in the past?

The hypothetical portfolio value in the chart above is represented by the following market indexes: Domestic stocks are represented by the S&P 500 Index; international stocks are represented by the MSCI ACWI ex U.S.A. Index (net MA tax); bonds are represented by the Bloomberg Barclays U.S. Aggregate Bond Index; short-term investments are represented by the Bloomberg Barclays U.S. 3-Month Treasury Bellwether Index. Please see Important Information for index definitions. The chart is for illustrative purposes only and is not indicative of any investment. Actual performance results may vary, perhaps significantly, from the performance results shown. Differences in account size, timing of transactions, and market conditions prevailing at the time of investment may lead to different results. Chart data is valid through 3/31/2020. **Past performance is no guarantee of future results.**

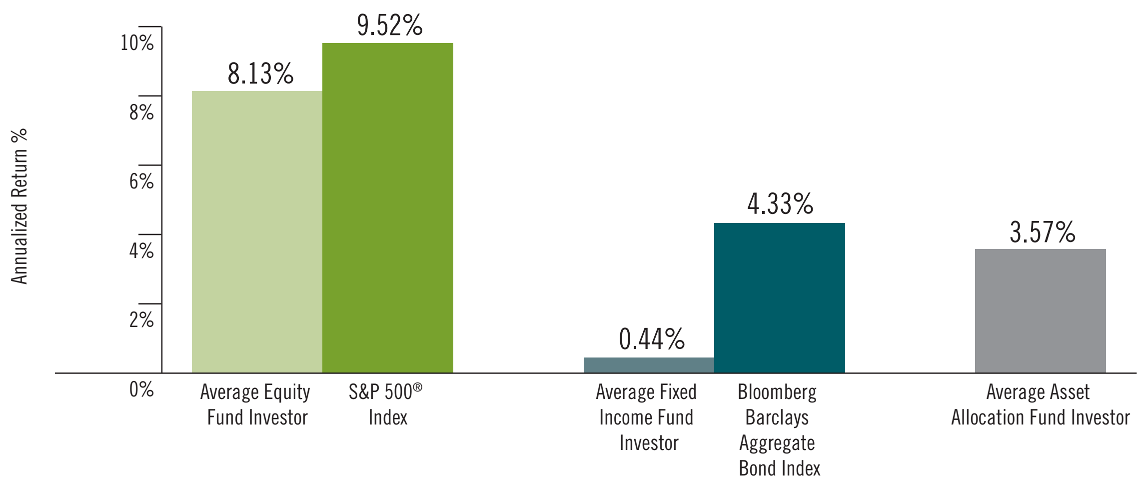
Disciplined investing

Market timing often works against investors, and jumping in and out of the market typically results in poor returns.

Jumping into and out of investments in an attempt to catch rises and avoid drops is hard to do, and can hurt your investment performance. According to DALBAR Inc.'s *Quantitative Analysis of Investor Behavior 2020* study, which shows the impact of market timing, high fees, and asset allocation decisions, the S&P 500 returned an annualized 9.52% for the 20 years through 2021. Over that same period, the average investor in U.S. stock mutual funds achieved an annualized return of just 8.13%.

It is important to stick with an asset allocation plan consistent with your time horizon, financial situation, and risk tolerance. Many investors don't reach their investing goals because they get distracted by rising markets and end up chasing performance and higher-risk investments. On the other hand, during market downturns, many investors move to lower-risk investments and miss out on the opportunities offered by the ensuing market recoveries.

POOR ASSET ALLOCATION AND MARKET TIMING CAN LEAD TO SUBPAR INVESTOR RETURNS



Source: Quantitative Analysis of Investor Behavior 2022, DALBAR, Inc. Data compares performance from January 1, 2001, to December 31, 2021. The Quantitative Analysis of Investor Behavior (QAIB)." 2022, was produced by DALBAR, Inc. The QAIB uses data from the Investment Company Institute (ICI), Standard & Poor's, Bloomberg Barclays indexes, and proprietary sources to compare mutual fund investor returns to an appropriate set of benchmarks. Covering the period from January 1, 2001 - December 31, 2021, the study utilizes mutual fund sales, redemptions, and exchanges each month as the measure of investor behavior. These behaviors reflect the "average investor." Based on this behavior the analysis calculates the "average investor return" for various periods. These results are then compared to the returns of respective indexes. QAIB calculates investor returns as the change in assets, after excluding sales, redemptions, and exchanges. This method of calculations captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses, and any other costs. After calculating investor returns in dollar terms, two percentages are calculated: total investor return rate for the period and annualized investor return rates. Total return rate is determined by calculating the investor return dollars as a performance of the net assets, sales, redemptions, and exchanges for the period. Annualized return rate is calculated as the uniform rate that can be compounded annually for the period under consideration to produce the investor return dollars. The S&P 500® is a market capitalization–weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation. S&P and S&P 500 are registered service marks of Standard & Poor's Financial Services LLC. The Bloomberg Aggregate Bond Index is an unmanaged market value–weighted index representing securities that are SEC registered, taxable, and dollar-denominated. This index covers the U.S. investment grade fixed-rate bond market, with index components for a combination of the Barclays government and corporate securities, mortgage-backed pass-through securities, and asset-backed securities. Indexes do not take into account the fees and expenses associated with investing, and it is not possible to invest directly in an index.

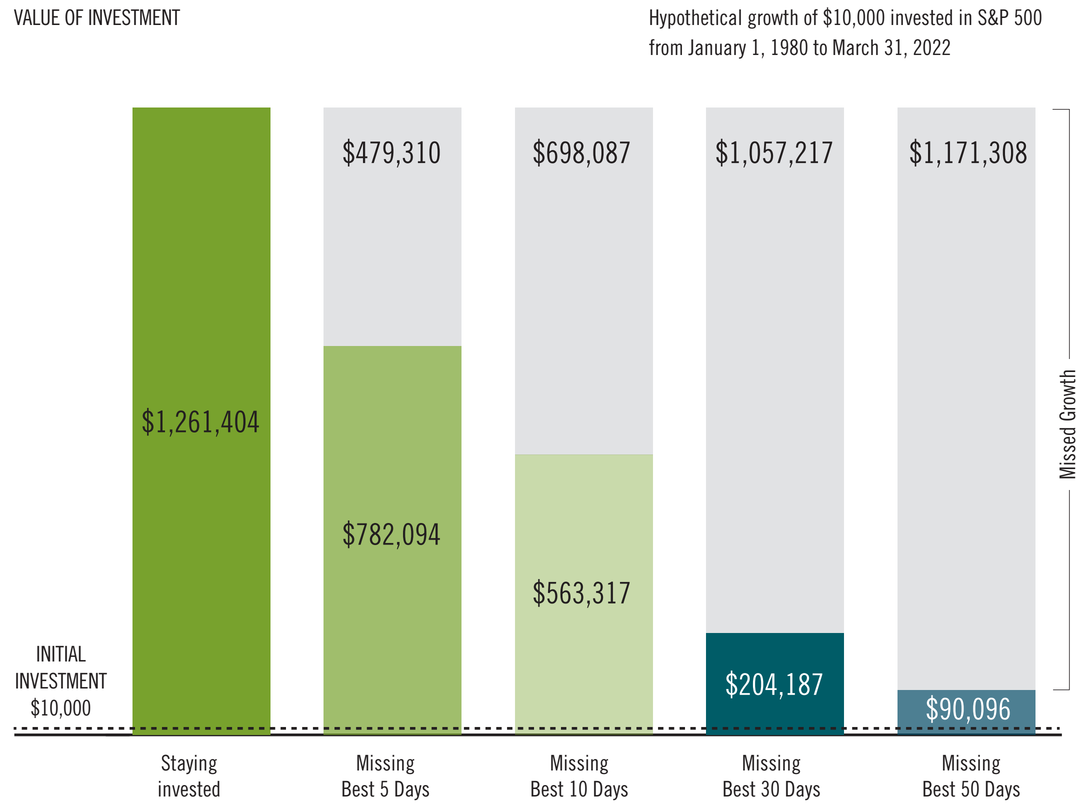
Past performance is no guarantee of future results. Asset allocation does not ensure a profit or guarantee against loss. Performance of an index is not illustrative of any particular investment. It is not possible to invest directly in an index.

Remain focused on long-term goals, not short-term swings.

If you're investing for retirement, a child's education, or another long-term goal, you should remain focused on your investment time frame rather than reacting to events and market swings. As the following chart illustrates, moving out of the market may represent a greater risk than staying committed to your strategy.

As this chart illustrates, over a 40-year time period, missing out on the best 10 days in the market would have reduced the value of your portfolio by almost half.

MISSING OUT ON THE BEST DAYS IN THE MARKET CAN COST YOU



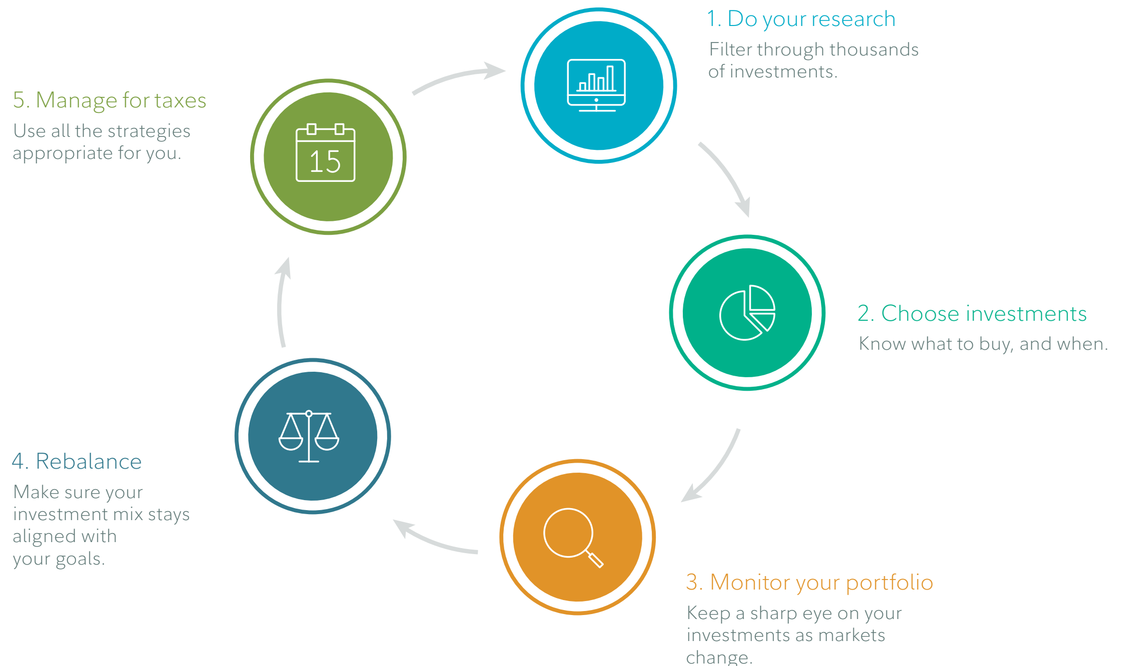
Past performance is not a guarantee of future results. The hypothetical example assumes an investment that tracks the returns of a S&P 500® Index and includes dividend reinvestment but does not reflect the impact of taxes, which would lower these figures. "Best days" were determined by ranking the one-day total returns for the S&P Index within this time period and ranking them from highest to lowest. There is volatility in the market, and a sale at any point in time could result in a gain or loss. Your own investment experience will differ, including the possibility of losing money. Source: AART, as of 3/31/2022.

Managing your portfolio

Constructing and maintaining your portfolio requires long-term commitment and attention to detail.

You should review your portfolio regularly—which may mean weekly, monthly, or quarterly. At a minimum, you need to review your financial situation, needs, and objectives annually to make sure your portfolio and positions are properly aligned with your goals.

EXECUTING A CONSISTENT INVESTMENT PROCESS



- How do you choose your investments?
- How do you decide when and what to buy and sell?

Asset allocation does not ensure a profit or guarantee against a loss.

Tax-efficient investing

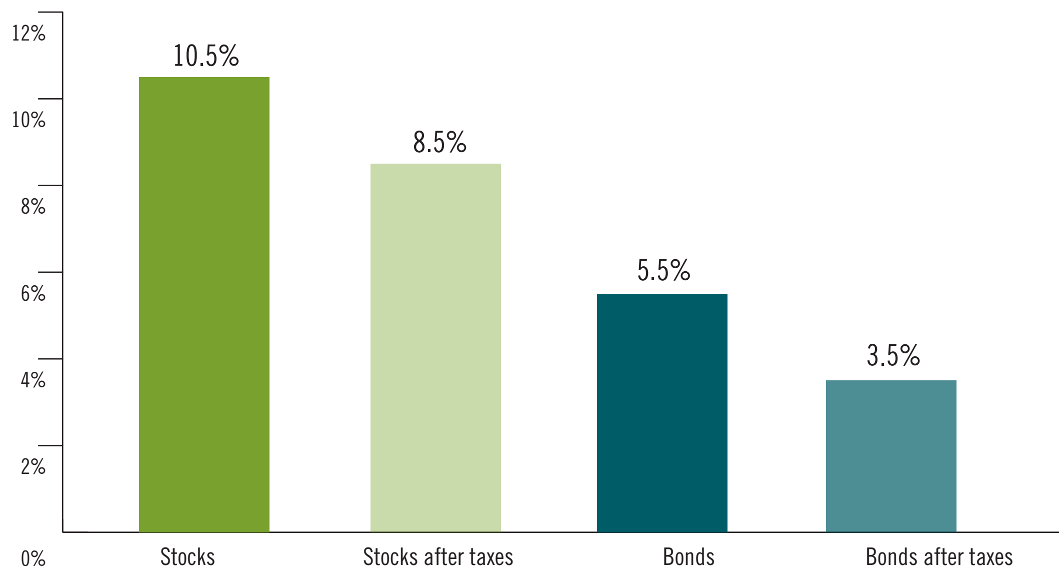
Taxes have the potential to significantly affect your investment returns.

The overall impact of taxes on performance is significant: Morningstar cites that, on average, over the 96-year period ending in 2021, investors gave up between one and two percentage points of their annual returns to taxes. A hypothetical stock return of 10.5% that fell to 8.5% after taxes would, in effect, have left the investor with 2% less investment income in his or her pocket, according to Morningstar.[3] Although these findings vary based on changing market conditions, potential tax consequences are always looming. Simply put, taxes shouldn't be ignored.

One way to help reach your financial goals is to be tax smart with your investments. You can affect your tax bill by paying attention to how and where you generate investment income, dividends, interest, and capital gains and losses. There are three strategies you can use to try to manage the potential impact on your federal income taxes:

- **Defer:**
  Retirement savings accounts—including 401(k) and 403(b) plans, IRAs, health savings accounts (HSAs), and other tax-deferred products such as deferred annuities—all allow you to put off paying taxes.
- **Manage:**
  Using asset location strategies, investing in lower turnover funds, understanding mutual fund distributions, and taking advantage of charitable gifts and capital loss deductions can all help you manage your tax burden.
- **Reduce:**
  Consider tax-free investments, municipal bonds, HSAs, and college savings accounts to help reduce your taxes.

TAXES CAN SIGNIFICANTLY REDUCE RETURNS



***Past performance is no guarantee of future results.** This chart is for illustrative purposes only and does not represent actual or future performance of any investment option. An investment cannot be made directly in an index. Stocks after taxes assumes that the stocks purchased were held for five years, then sold, and the capital gains realized. The net proceeds from the sale were reinvested. Dividends were taxed when earned and reinvested. From 1926 to 2021, the average return on stocks after taxes was 8.5%, compared with 10.5% before taxes. Bonds were turned over 28 times within the 96-year period. Capital gains were realized at the time of sale and reinvested. Bonds averaged a 3.5% return after taxes, compared with 5.5% before taxes. After taxes, on average, bonds barely outpaced the inflation rate. Cash earned an average of 2.1% after taxes, compared with 3.3% before taxes, over this period. Comparing the after-tax return to the rate of inflation, you can see that if you invested solely in cash equivalents, you actually lost money in terms of purchasing power. Government bonds and Treasury bills are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest, while stock are not guaranteed and have been more volatile than the other asset classes.

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Tax-smart investment techniques

Take advantage of techniques designed to help reduce taxes on investment returns.

Proper management of your investments with an eye toward the tax implications has the potential to significantly increase the value of your portfolio over time. You should consider employing a select blend of tax-smart investing techniques, including harvesting tax losses, to help reduce the negative impact of taxes on your portfolio's overall return. You can also defer the realization of short-term gains in favor of seeking long-term capital gains, as appropriate. And consider managing your portfolio's exposure to fund distributions that can have costly tax implications, or investing in municipal bond funds, and national or state-specific bond funds. You can employ these strategies on your own or work with a tax-smart money manager who can do it for you.

TAX-SMART INVESTMENT MANAGEMENT STRATEGIES

We apply multiple techniques designed to help reduce the impact of taxes on Portfolio Advisory Services tax-smart accounts:[1]

[1]Portfolio Advisory Services accounts are discretionary investment management accounts offered through Fidelity® Wealth Services for a fee. Note that not every taxable account assigned to a goal will qualify for all the tax-smart investing techniques shown here. Please see the Fidelity Wealth Services Program Fundamentals for additional information about the service levels offered and the tax-smart investing techniques available to be used. Tax-smart (i.e., tax-sensitive) investing techniques, including tax-loss harvesting, are applied in managing certain taxable accounts on a limited basis, at the discretion of the portfolio manager, primarily with respect to determining when assets in a client's account should be bought or sold. Assets contributed may be sold for a taxable gain or loss at any time. There are no guarantees as to the effectiveness of the tax-smart investing techniques applied in serving to reduce or minimize a client's overall tax liabilities, or as to the tax results that may be generated by a given transaction.

- What are you doing to defer, reduce, or minimize taxes in your investment portfolio?
- What is your approach to harvesting investment losses?

Tax-loss harvesting

A powerful way to help you keep more of what you earn.

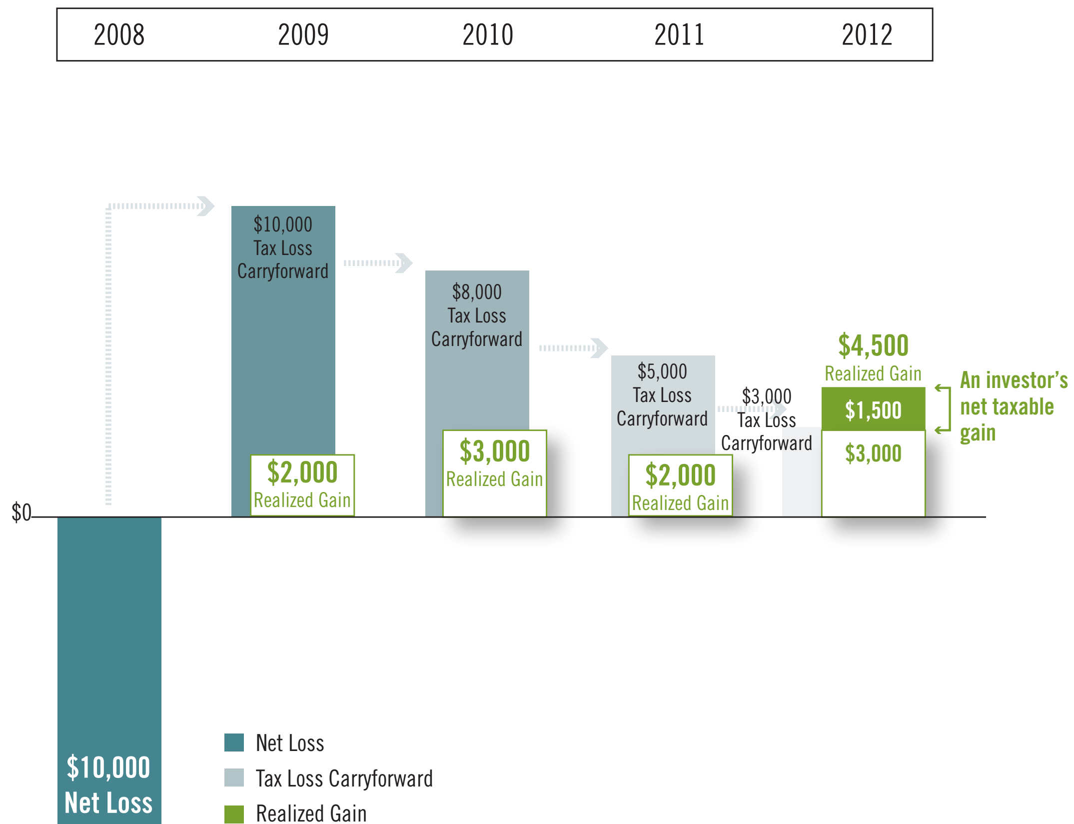
The investor's $10,000 loss during the 2008 market downturn was carried forward to offset gains in future tax years.

As the market began to recover, in the period of 2009–2012, the investor's total capital gain was $11,500, of which $10,000 could be offset by the loss in 2008, leaving the investor with only a $1,500 taxable gain in tax year 2012.

With tax-loss harvesting, you sell an investment in a capital asset—such as a stock or bond—for a loss and use that to offset current or future realized gains and/or income. In addition, each taxpayer is allowed to use up to $3,000 of net capital realized losses to offset ordinary income each year. Any realized losses not used in a given tax year can be carried forward and used in future years. This strategy, which is typically most effective during volatile markets, especially during downturns, can help reduce your tax bill.

Tax-loss harvesting may feel counterintuitive, because the goal of investing is to make money, not to lose it. But everyone experiences investment losses from time to time. If handled properly and consistently, tax-loss harvesting can potentially improve your overall after-tax returns. The challenge is that this strategy requires disciplined reinvestment of the loss proceeds, diligent investment tracking, and detailed tax accounting.

LOOK TO LOSSES TO OFFSET GAINS



For illustrative purposes only. In this example, the investor used a $10,000 net loss in 2008 by using the carryforward tax-loss strategy and avoided paying capital gains for the next four years. It wasn't until 2012 that gains resulted in a tax liability. This is important because compounding helps to accelerate wealth building, so it's typically a good strategy to defer paying taxes for as long as possible.

Tax savings will depend on an individual's actual capital gains, loss carryforwards, and tax rate and may be more or less than this example. This is a hypothetical example for illustrative purposes only, and is not intended to represent the performance of any investment.

Asset location

Place your investments where they may help enhance returns, in concert with your goals and overall portfolio.

With an asset location strategy, you position the most tax-efficient investments that typically generate the least taxable income—such as municipal bonds, low-turnover stock funds, or exchange-traded funds—in taxable accounts, because of their low-tax-generation characteristics.

Conversely, relatively tax-inefficient assets—such as taxable bonds, high-turnover stock funds, or real estate investment trusts—may be better kept in tax-advantaged accounts like 401(k) plans, IRAs, and tax-deferred variable annuities. Of course, you also need to consider your overall asset allocation and investment time frame before making any changes.

As outlined in this table, you should consider putting the more tax-efficient investments in taxable accounts, and the less tax-efficient investments into tax-deferred and tax-free accounts.

TRYING TO MATCH INVESTMENTS AND ACCOUNTS

In general, the less tax efficient an asset is, the more you may want to consider putting it in a tax-deferred account like a traditional IRA, 401(k), or deferred annuity, or a tax-exempt account such as a Roth IRA.

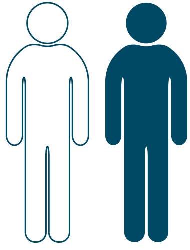
	Typical Tax Treatment of Expected Return	Taxable	Tax-Deferred	Tax-Exempt
Tax-free municipal securities and mutual funds	Exempt	MA	LA	LA
Equity securities held long term for growth	Taxed at Long-Term Capital Gain Rates	MA	A	A
Equity index funds/ETFs[4] (other than REITs)		MA	A	A
Tax-managed equity mutual funds and SMAs		MA	LA	LA
Real estate investment trusts (REITs)	Taxed at Ordinary Income Rates	LA	MA	MA
High-turnover stock mutual funds that deliver effectively all returns as short-term capital gains		LA	MA	MA
Fully taxable bonds and bond funds		LA*	MA	MA

MA More Appropriate   A Appropriate   LA Less Appropriate

For illustrative purposes only.

Investing in a variable annuity involves risk of loss—investment returns and contract value are not guaranteed and will fluctuate.

*May be A in the case of Treasury securities/funds for high-income residents of states with high state income tax.



Your next steps

We have developed this discussion guide as part of *Fidelity Viewpoints*®, an exclusive program that enables you to take advantage of our latest thinking on the financial markets, investing ideas, and other tips for personal finance. You have access to Fidelity's resources, solutions, and services—including our informational and educational videos, seminars, and webinars—to help evaluate and refine your investment strategy.

Working together with you, we'll take the following four steps to help you put your specific investment strategies to work, to help you reach your family's goals:

Completed

1. **Review your overall portfolio positioning** with the help of our Fidelity Guided Portfolio Summary℠ (Fidelity GPS℠).[5] ☐

2. **Determine the appropriate asset allocation** for your accounts with the help of the Planning & Guidance Center.[6, 7] ☐

3. **Put your strategy in motion** with select investments and solutions aligned to your needs, including: ☐
   - ❑ Fidelity mutual funds and Fidelity® FundsNetwork®
   - ❑ Fidelity® Managed Accounts[8]
   - ❑ Fixed Deferred Annuities[9]
   - ❑ Fidelity Personal Retirement Annuity®[10]
   - ❑ Stock research and trading[11]
   - ❑ Fixed-income research and trading[11]
   - ❑ Fidelity Wealth Advisor Solutions®

4. **Set up regular check-ins to review your portfolio.** ☐

Important information

Diversification and/or asset allocation do not ensure a profit or protect against loss.

Past performance is no guarantee of future results.

Generally, among asset classes, stocks are more volatile than bonds or short-term instruments and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Although the bond market is also volatile, lower-quality debt securities, including leveraged loans, generally offer higher yields compared with investment-grade securities, but also involve greater risk of default or price changes. International markets can be more volatile than U.S. markets due to increased risks of adverse issuer, political, market, or economic developments, all of which are magnified in emerging markets.

S&P 500 Index is a market capitalization–weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

Russell 2000 Index is a market capitalization–weighted index designed to measure the performance of the small-cap segment of the U.S. equity market. It includes approximately 2,000 of the smallest securities in the Russell 3000 Index.

Russell 3000 Growth Index is a market capitalization–weighted index designed to measure the performance of the broad growth segment of the U.S. equity market. It includes those Russell 3000 Index companies with higher price-to book ratios and higher forecasted growth rates.

Russell 3000 Value Index is a market capitalization–weighted index designed to measure the performance of the broad value segment of the U.S. equity market. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth rates.

MSCI EAFE (Europe, Australasia, Far East) Index (net MA tax) is a market capitalization–weighted index that is designed to measure the investable equity market performance for global investors in developed markets, excluding the United States and Canada. The index performance includes the reinvestment of dividends and interest income. Securities indexes are not subject to fees and expenses typically associated with managed accounts or investment funds.

MSCI Emerging Markets Index is a market capitalization–weighted index that is designed to measure the investable equity market performance for global investors in emerging markets.

MSCI All Country World (MSCI ACWI) ex U.S.A. Index (net MA tax) is a market capitalization–weighted index designed to measure the investable equity market performance for global investors of large- and mid-cap stocks in developed and emerging markets, excluding the United States. Index returns are adjusted for tax-withholding rates applicable to U.S.-based mutual funds organized as Massachusetts business trusts.

BofA ML U.S. High Yield Constrained Index is a market value–weighted index of all domestic and Yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB–Baa3, but are not in default. The BofA ML U.S. High Yield Constrained Index limits any individual issuer to a maximum of 2% benchmark exposure.

Bloomberg Barclays U.S. Aggregate Bond Index is a market value–weighted index of investment-grade fixed rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of one year or more.

NAREIT Equity-Only Index is the unmanaged National Association of Real Estate Investment Trusts (NAREIT) Equity Index, a market value–weighted index based upon the last closing price of the month for tax-qualified REITs listed on the NYSE.

Bloomberg Commodity Index Total Return measures the performance of the commodities market. It consists of exchange-traded futures contracts on physical commodities that are weighted to account for the economic significance and market liquidity of each commodity.

CG Treasury 10+ Years Index is an unmanaged market capitalization–weighted index of U.S. Treasury securities with fixed-rate coupons and weighted average lives of at least 10 years.

Bloomberg Barclays U.S. 3-Month Treasury Bellwether Index is an unmanaged market value–weighted index of investment-grade fixed-rate public obligations of the U.S. Treasury, with maturities of three months, excluding zero coupon strips.

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[1]Tax-smart (i.e., tax-sensitive) investing techniques (including tax-loss harvesting) are applied in managing certain taxable accounts on a limited basis, at the discretion of the portfolio manager primarily with respect to determining when assets in a client's account should be bought or sold. As the discretionary portfolio manager, Strategic Advisers LLC ("Strategic Advisers") may elect to sell assets in an account at any time. A client may have a gain or loss when assets are sold. There are no guarantees as to the effectiveness of the tax-smart investing techniques applied in serving to reduce or minimize a client's overall tax liabilities, or as to the tax results that may be generated by a given transaction. Strategic Advisers does not currently invest in tax-deferred products, such as variable insurance products, or in tax-managed funds, but may do so in the future if it deems such to be appropriate for a client. Strategic Advisers does not actively manage for alternative minimum taxes; state or local taxes; foreign taxes on non-U.S. investments; federal tax rules applicable to entities; or estate, gift, or generation-skipping transfer taxes. Strategic Advisers relies on information provided by clients in an effort to provide tax-sensitive investment management, and does not offer tax advice. Except where Fidelity Personal Trust Company (FPTC) is serving as trustee, clients are responsible for all tax liabilities arising from transactions in their accounts, for the adequacy and accuracy of any positions taken on tax returns, for the actual filing of tax returns, and for the remittance of tax payments to taxing authorities.

[2]See Gary P. Brinson, L. Randolph Hood, and Gilbert L. Beebower, 1986, "Determinants of Portfolio Performance," *Financial Analysts Journal* vol. 42 (4), July/August, pages 39–44 (reprint, 1995, *Financial Analysts Journal* 51 (1), pages 133–138, 50th Anniversary Issue). Gary P. Brinson, Brian D. Singer, and Gilbert L. Beebower, 1991, "Determinants of Portfolio Performance II: An Update," *Financial Analysts Journal* 47 (3), pages 40–48. Roger G. Ibbotson and Paul D. Kaplan, 2000, "Does Asset Allocation Policy Explain 40, 90, or 100 Percent of Performance?", *Financial Analysts Journal* 56 (1), pages 26–33.

[3]Federal income tax is calculated using the historical marginal and capital gains tax rates for a single taxpayer earning $120,000 in 2015 dollars every year. This annual income is adjusted using the CPI in order to obtain the corresponding income level for each year. Income is taxed at the appropriate federal income tax rate as it occurs. When realized, capital gains are calculated assuming the appropriate capital gains rates. The holding period for capital gains tax calculation is assumed to be five years for stocks, while government bonds are held until replaced in the index. No state income taxes are included. Stocks are represented by the Ibbotson® Large Company Stock Index. Government bonds are represented by the 20-year U.S. government bond, cash by the 30-day U.S. Treasury bill, and inflation by the CPI. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for transaction costs.

[4]ETFs are subject to market fluctuation and the risks of their underlying investments. ETFs are subject to management fees and other expenses. Unlike mutual funds, ETF shares are bought and sold at market price, which may be higher or lower than their NAV, and are not individually redeemed from the fund. Effective September 30, 2013, any eligible iShares ETFs purchased commission free must be held for a minimum of 30 calendar days, or a short-term trading fee will apply.

[5]Fidelity Guided Portfolio Summary℠ (Fidelity GPS℠) is provided for educational purposes only and is not intended to provide legal, tax, investment, or insurance advice, nor should it be construed as an offer to sell, a solicitation of an offer to buy, or a recommendation for any security by Fidelity or any third party. You are solely responsible for determining whether any investment, investment strategy, security, or related transaction is appropriate for you based on your personal investment objectives, financial circumstances, and risk tolerance. You should consult your legal or tax professional regarding your specific situation.

[6]This information is intended to be educational and is not tailored to the investment needs of any specific investor.

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