The basics of tax loss harvesting

Using investment losses to your advantage

What is tax loss harvesting?

Sometimes you have investments that didn't perform as you expected, resulting in losses. While these negative returns may not seem good on paper, they can potentially be used to help reduce your tax bill. The process of selling underperforming investments and using the losses to offset gains from other investments and/or ordinary income is referred to as "tax loss harvesting."

How does tax loss harvesting work?

Below is a hypothetical example of how the tax loss harvesting process works. It is critical that all investors discuss the tax implications of their investment portfolios with a tax professional.

Important consideration

The Internal Revenue Service (IRS) has guidelines commonly referred to as the "wash sale" rule. In short, it outlines that investors cannot buy a "substantially identical" security 30 days before or after the sale of the funds chosen when conducting tax loss harvesting. This can potentially be avoided by buying a new or different exchange-traded fund (ETF), mutual fund or security within a similar industry. Consult with your tax professional to consider your options.

Sell →

Sell underperforming investments at a loss.

Harvest →

Use capital losses to offset capital gains and/or ordinary income. If losses exceed gains or there's only losses incurred, up to $3,000 can be used to offset ordinary income in the current year. Any amount above $3,000 can be carried forward for use in future years.

Replace

To maintain your existing asset allocation or invest in an idea you have, consider exchange-traded funds (ETFs), mutual funds or other strategies.

We have a wide range of solutions to help meet your specific needs:

230+	150+	covering 90+
ETFs	Mutual funds	Sub-asset classes

Source: Invesco as of 12/31/2021.

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Not a Deposit Not FDIC Insured Not Guaranteed by the Bank May Lose Value
Not Insured by any Federal Government Agency

About risk

There are risks involved with investing in ETFs, including possible loss of money. Index-based ETFs are not actively managed. Actively managed ETFs do not necessarily seek to replicate the performance of a specified index. Both index-based and actively managed ETFs are subject to risks similar to stocks, including those related to short selling and margin maintenance. Ordinary brokerage commissions apply. The Fund's return may not match the return of the Index. The Funds are subject to certain other risks. Please see the current prospectus for more information regarding the risk associated with an investment in the Funds.

Important information

Before investing, investors should carefully read the prospectus and/or summary prospectus and carefully consider the investment objectives, risks, charges and expenses. For this and more complete information about the fund(s), investors should ask their financial professional for a prospectus/summary prospectus or visit invesco.com/fundprospectus.

Invesco does not provide tax advice. Investors should always consult their own legal or tax professional for information concerning their individual situation.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

ETFs vs. Mutual Funds

ETFs generally have lower expenses than actively managed mutual funds due to their different management styles. Most ETFs are passively managed and are structured to track an index, whereas many mutual funds are actively managed and thus have higher management fees. Unlike ETFs, actively managed mutual funds have the ability react to market changes and the potential to outperform a stated benchmark. Since ordinary brokerage commissions apply for each ETF buy and sell transaction, frequent trading activity may increase the cost of ETFs. ETFs can be traded throughout the day, whereas, mutual funds are traded only once a day. While extreme market conditions could result in illiquidity for ETFs. Typically they are still more liquid than most traditional mutual funds because they trade on exchanges.

Shares are not individually redeemable and owners of the Shares may acquire those Shares from the Fund and tender those Shares for redemption to the Fund in Creation Unit aggregations only, typically consisting of 10,000, 20,000, 25,000, 50,000, 75,000, 80,000, 100,000, 150,000 or 200,000 Shares.