

OFFSETTING CAPITAL GAINS ON THE SALE OF A PRIVATE BUSINESS



CLIENT CHALLENGE

The sale of a private business often results in a large, one time capital gain, creating a significant tax liability in the year of sale. Traditional tax loss harvesting approaches may not generate sufficient losses to meaningfully offset these gains, particularly when markets are rising or when existing portfolios already carry substantial unrealized gains.

Investors may need strategies that can expand loss generation capacity while maintaining long term investment discipline.



CLIENT PROFILE

Designed for investors who:

- Are anticipating or have recently completed the sale of a private business
- Face material capital gains in a single tax year
- Maintain taxable investment portfolios and seek additional loss capacity
- Are comfortable with long/short portfolio structures, leverage and shorting securities
- Value coordinated investment and tax planning alongside their advisors

Common scenarios include founders, business owners, or family enterprises transitioning proceeds into diversified portfolios.

NORTHERN TRUST ASSET MANAGEMENT (NTAM) INVESTMENT PROCESS

NTAM uses a tax advantaged long/short framework to increase the portfolio's gross exposure and broaden the opportunity set for tax loss harvesting to support the potential for improved pre- and after-tax outcomes..

- Long and short extensions increase gross exposure beyond long only portfolios
- Losses may be harvested on both long and short positions, including in rising markets
- Portfolio construction and trading are managed within a disciplined, tax aware framework
- Designed to complement the reinvestment of business sale proceeds into a diversified equity allocation
- Employs an active stock picking component

The increased loss generation capacity may help offset a portion of the capital gains realized from the business sale over time.



CLIENT BENEFITS

- Expanded loss harvesting capacity to help offset significant capital gains
- Greater flexibility than traditional long only tax loss harvesting approaches
- Ability to pursue tax management while remaining invested in equity markets
- Integrated investment and tax oversight during a major liquidity event

Tax outcomes will depend on individual circumstances, but the strategy is designed to support more efficient after tax reinvestment following a business sale.

3 KEY TAKEAWAYS

1

One time gains require expanded tools: Long/short strategies may provide loss capacity beyond traditional approaches.

2

Tax management can begin immediately: Loss harvesting may occur even in rising markets following a liquidity event.

3

Built for transition moments: Designed to support investors moving from private ownership to diversified public market portfolios.

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