SHORT NORTH
WEALTH MANAGEMENT

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The 3 Ts of Investment Diversification

Diversification may mean something different to each investor. Most people associate the term with having a mixture of risky, moderate, and conservative investments. Others think of it as having a portfolio with a variety of stocks, mutual funds or ETF's, bonds, and cash alternatives.

How you diversify the investments within your portfolio is important, yes. But it is equally important to diversify the tax treatment of the money in those investment accounts. Unfortunately, this second type of diversification is often overlooked when do-it-yourselfers start investing.

1

Tax-Free

Accounts you pay taxes on upfront, but never again.

Roth IRAs, 529 Plans, & Certain Life Insurance Products

2

Tax-Deferred

Accounts that offer upfront tax savings, but you pay taxes when you take a distribution.

Traditional/rollover IRAs, 401(k) plans, 403(b) plans, & various other employer- sponsored retirement plans

3

Taxable

Accounts you always pay taxes on when you sell investments held within them.

Individual, transfer-on-death, trust accounts, joint accounts