Fidelity INVESTMENTS Wealth Management

Personalized Portfolios with Household Tax-Smart Strategies

Tapping into the power of asset location in pursuit of your unique financial goals

KEY TAKEAWAYS

The use of Household Tax-Smart Strategies[1] (HTS) can help clients reach their financial goals faster as it's designed to improve the tax efficiency of the portfolios we build and manage for them.

Asset location can be an effective tool that enables us to strategically position assets in accounts based on how each account treats taxes on income and investment gains. It can also help enhance the impact of other tax-smart strategies,[2] which can create additional tax savings without clients having to change their portfolio's risk profile.

Applying tax-smart strategies can be complex and time-consuming; we can help relieve that burden by managing our clients' investments.

Over time, investors may accumulate assets across multiple firms in different types of accounts with different investment strategies. This can create complexity, especially when it comes to determining whether they're paying more than they should in taxes. All this complexity can make planning feel difficult, if not impossible. We believe that a Fidelity advisor's intimate knowledge of a client's unique financial situation can help create a more personalized plan. That plan serves as the foundation our experienced investment team, Strategic Advisers LLC, uses to build investment strategies around our clients' unique goals using all the assets they bring to the table while accounting for their comfort with risk. And that's why our clients consider Fidelity® Wealth Services' Personalized Portfolios accounts with HTS.

A key ingredient of HTS is our ability to build more tax-efficient portfolios around account types with different tax treatments, and then manage those portfolios in a tax-efficient manner. Any money not paid out in taxes can stay invested, where it has the potential to compound, and may even help clients reach their goals faster without having to take on additional risk.

At Fidelity, we've spent the past 20 years refining our approach to building and managing tax-efficient portfolios for our clients. HTS was the natural next step in the evolution of this process.

As part of this approach, we look to apply our tax-smart strategies throughout the year, often as early as when we begin building a portfolio. Beyond simply managing individual accounts more tax efficiently, we can now focus on building comprehensive, tax-smart portfolios around each client's goals. More important, it's part of the advisory fee that our clients pay. And it all starts with a sophisticated tax-smart strategy called asset location. While asset location is a simple concept, applying it correctly can be challenging, particularly for investors.

How we use asset location to build and manage portfolios

When it comes to the types of assets we purchase for different accounts through HTS, we are mindful about the way income and capital gains are taxed in each account type. In general, this means trying to locate less tax-efficient investments in tax-deferred or tax-free accounts. By nature, some investments tend to generate more income with greater frequency. In addition, different types of accounts treat investment income differently.

Therefore, we look to factor this into the decisions we make when building and managing portfolios on behalf of our clients. This process, known as asset location, can be complex and time consuming for most investors to do on their own, particularly while also trying to maintain the appropriate level of risk in a portfolio across more than one account. But when performed correctly, asset location has the power to help enhance after-tax returns.

For instance, in taxable accounts, such as traditional brokerage accounts, income generated during a given year is taxed in that year. So, if an investment, such as a stock, bond, ETF, or mutual fund, pays dividends or interest, the investor will owe taxes for that year. That's why in taxable accounts we tend to focus on investments that offer long-term growth potential while generally distributing less taxable income. The goal is to help reduce income distributions to manage a client's tax obligations.

In tax-deferred accounts, such as rollover IRAs, any taxes on income or capital gains from the sale of securities that have risen in value are usually delayed until the money has been taken out of the account with a qualified withdrawal. In these cases, we generally look for investments that offer total return potential without being overly concerned about the amount or timing of income that's generated, because that income likely won't be taxed for many years. One example of this is taxable bond funds, which tend to generate a large amount of income on a regular basis.

In tax-free accounts, such as Roth IRAs,* the contributions are made with after-tax dollars and any gains are not subject to taxes even when the money is withdrawn, assuming the investor follows all the rules about qualified withdrawals. For tax-free accounts, we may prioritize long-term growth opportunities by focusing more heavily on investments that offer higher growth potential, such as small- and mid-cap stocks or emerging market stocks, because it's likely that any growth from these types of investments won't be taxed.

While we generally prioritize risk and diversification when managing money on behalf of clients, we may also, where possible, place different types of investments across different account types. The table below provides a sense of how we may do this.

	TAXABLE ACCOUNT	**TAX-DEFERRED ACCOUNT**	**TAX-FREE ACCOUNT**
	Joint account	**Rollover IRA**	**Roth IRA***
Municipal bond funds	●●●	●	●
Stock funds held for long-term growth	●●●	●●	●●●
Stock index funds	●●●	●●	●
Separately managed account (SMA) sleeves	●●●	Not available	Not available
High-turnover stock funds	●	●●●	●●
High-yielding stock funds	●	●●●	●●
Corporate bond funds	●	●●●	●●
Investments used for cyclical exposure	●	●●	●●●

●●● **More Appropriate** ●● **Appropriate** ● **Less Appropriate**

For illustrative purposes only. There are no guarantees as to the use or effectiveness of tax-smart investing strategies, including the coordinated use of different account types and investments, in an effort to reduce a client's overall tax liabilities.

***A Roth IRA is an individual retirement account (IRA) you fund with after-tax dollars. Your investments have the potential to grow tax-free, and distributions (withdrawals) may be tax-free, provided certain requirements are met. For a distribution to be considered qualified (tax-free), the 5-year aging requirement has to be satisfied, and you must be age 59½ or older or meet one of several exemptions (disability, qualified first-time home purchase, or death among them). Contributions you add to a Roth may be withdrawn at any time penalty-free.**

The added power of asset location

Another way asset location can potentially reduce a client's tax obligations is by enhancing the effect of some of our tax-smart strategies, including Enhanced Tax-Smart Transition Management, Enhanced Tax-Smart Rebalancing, and Enhanced Tax-Smart Withdrawals.

To see how this can work, let's look at a hypothetical couple—the Millers. They have about $1.75 million set aside for retirement, spread across three different types of accounts. As we look at the different components of our Household Tax-Smart Strategies, we'll examine how each may affect these investments.

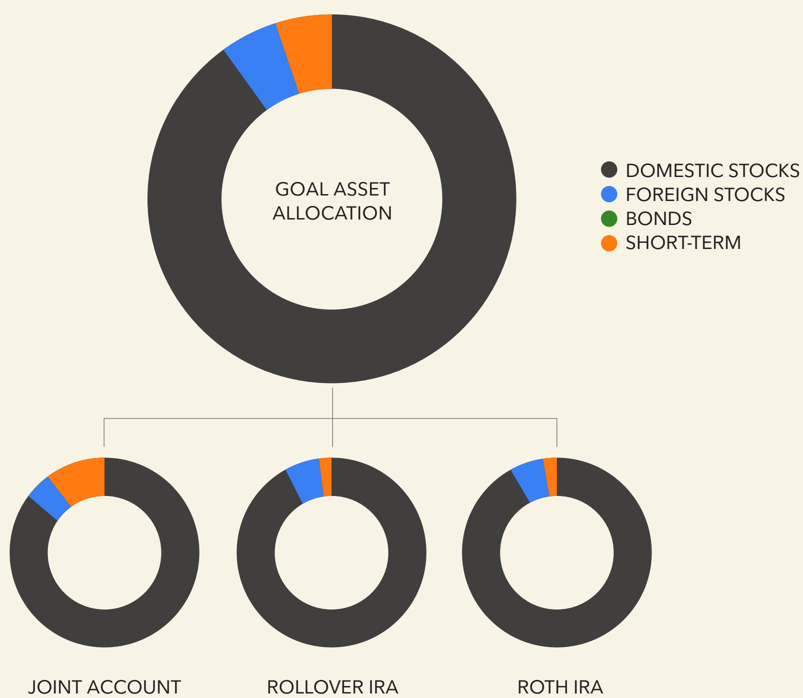
Meet the Millers: Harry and Wendy, both 55

Total Investable Assets:
$1.75M across three accounts

Goals:
Retire in 10 years and maintain current lifestyle

Accounts for the Retirement Goal:
Joint account, rollover IRA, and Roth IRA

Current Goal Asset Allocation:
90% Domestic Stocks (including a large holding in a specific company)
5% Foreign Stocks
5% Short-Term



This is a hypothetical example and does not represent an actual client's portfolio.

How Household Tax-Smart Strategies can enhance the tax efficiency of portfolios

Enhanced Tax-Smart Transition Management
When clients fund their Personalized Portfolios accounts with eligible investments, we examine each one and decide whether to keep, sell, or adjust the weight of the holding based on how well its risk-return profile will fit with the investor's goals, as well as the potential tax implications of keeping or selling each investment. Where it makes sense, we may look to integrate certain investments into one or more accounts, as opposed to selling all the existing holdings in order to start from scratch. This can help reduce the potential tax consequences of building a portfolio.

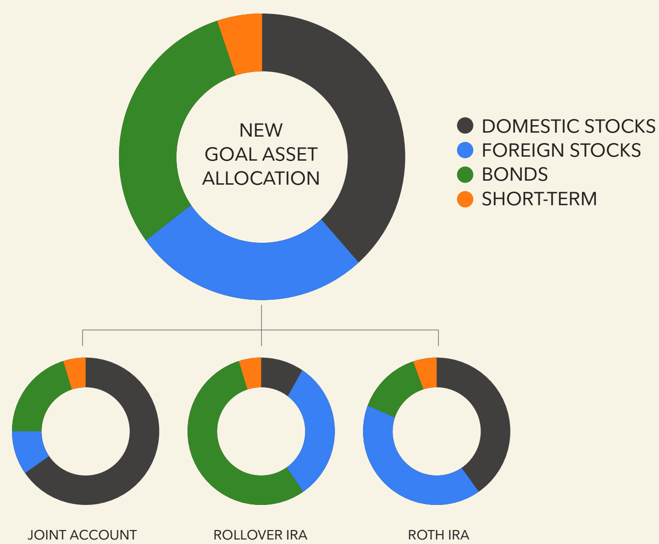
By combining this technique with asset location, which lets us maintain different asset allocations across Personalized Portfolios accounts, we're able to help further enhance after-tax returns. For instance, if we need to sell securities when building a portfolio, we may elect to do so in a tax-advantaged account instead of a taxable account, which can help reduce the immediate tax impact of building that portfolio. Asset location enables us to do this while adhering to the appropriate aggregate asset allocation for the goal. While we do this when initially building portfolios, we can continue to do it every time eligible securities are used to fund Personalized Portfolios accounts.

In the case of the Millers, we sought to reduce their exposure to stocks as we transitioned them into their new portfolio, based on what they told us about their comfort with risk. If the Millers had been doing this themselves, they could have simply reduced that stock exposure evenly across every account. However, with asset location at our disposal, we were able to prioritize reducing it in the rollover and Roth IRAs. You'll notice that while this resulted in each account having a different asset allocation, we maintained the appropriate asset allocation for the goal.

The Millers' transition

We believe that the Millers have too much exposure to stock (see page 4), and therefore too much risk, based on their goals and other factors.

However, we are aware that they may also want to limit the capital gains tax impact of selling stock.



Modest adjustments made to the Joint account to reduce capital gains tax impact

Significant changes made to tax-advantaged accounts to reduce capital gains tax impact
Increased bond and foreign stock exposure, decreased domestic stock exposure

This is a hypothetical example and does not represent an actual client's portfolio.

Enhanced Tax-Smart Rebalancing

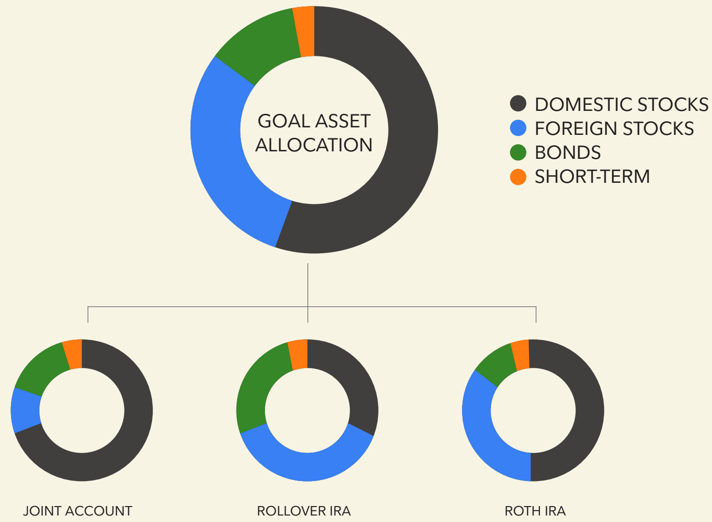
When markets fluctuate, we may adjust the way a client's portfolio is invested to maintain the appropriate goal asset allocation. For instance, let's say that due to general market movement, different asset classes within a portfolio have appreciated at different rates. This would generally result in the asset allocation drifting from the original investment mix. In this case, we'd rebalance the accounts to restore the original asset allocation. When we're doing this for a single account, we'll consider the tax implications of the trades we make, prioritizing tax lots that have a higher cost basis and that have been held for longer than a year, as any gains are taxed at a lower rate than gains realized in a year or less.

However, asset location enhances our ability to help mitigate the effect of taxes when rebalancing, enabling us to maintain a unique asset allocation for each account we're managing and giving us the flexibility to decide which accounts to rebalance. Because different accounts may be allocated in different ways depending on their tax registration, we can maintain the desired goal asset allocation while attempting to reduce the impact of taxes.

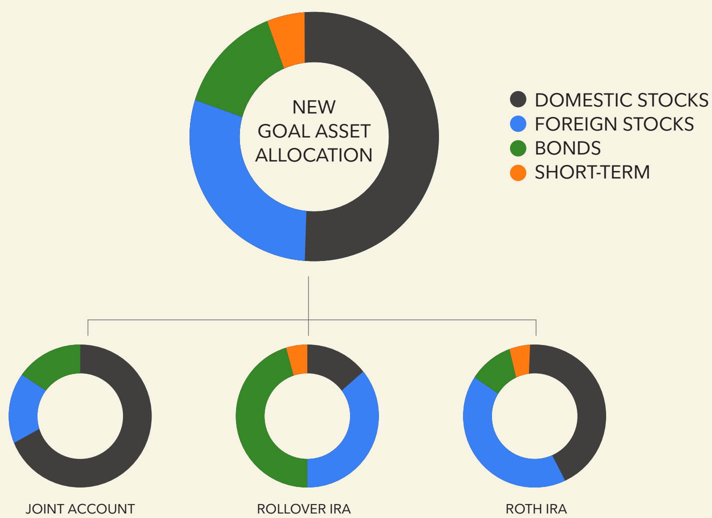
Looking at the Millers' situation, you can see on the next page that an appreciation in stocks resulted in their goal asset allocation having an exposure to stocks above the original target. That can be a sign that they're taking on more risk than intended. In reducing their stock exposure, we focused solely on the two tax-advantaged accounts. Had we reduced stock exposure evenly across all the accounts, any gains in the taxable account would be taxed during that year. This ability to maintain different asset allocations for individual accounts enabled us to maintain the appropriate level of risk for the overall goal in a more tax-efficient way.

Overall stock exposure

Due to domestic stock growth outpacing returns in other asset classes, the Millers now have too much domestic stock exposure. Their goal asset allocation has drifted out of alignment with their goal.



Rebalanced



Modest adjustments made to joint account to reduce capital gains tax impact
Tax-exempt municipal bonds will add bond exposure with low tax impact

Most rebalancing will occur in the rollover IRA and Roth IRA accounts because there will be no capital gains tax impact from selling appreciated domestic stock
Increase in actively managed foreign and bond funds, which are less tax-efficient but offer diversification and potential return benefits

This is a hypothetical example and does not represent an actual client's portfolio.
Diversification and asset allocation do not ensure a profit or guarantee against loss.

How Household Tax-Smart Strategies can help reduce the potential impact of withdrawals

Enhanced Tax-Smart Withdrawals

If cash is needed, either for a one-time request or on an ongoing basis, we can work to reduce the tax impact of those withdrawals. Usually, withdrawals mean selling securities, which can result in taxes. To help with this, we may position the portfolio in a way that reduces the need to sell securities when a cash need arises. And if we do have to sell securities, we'll look at how long an investment has been held and may sell those securities that have been held for more than a year, as long-term gains are taxed at a lower rate than short-term gains.

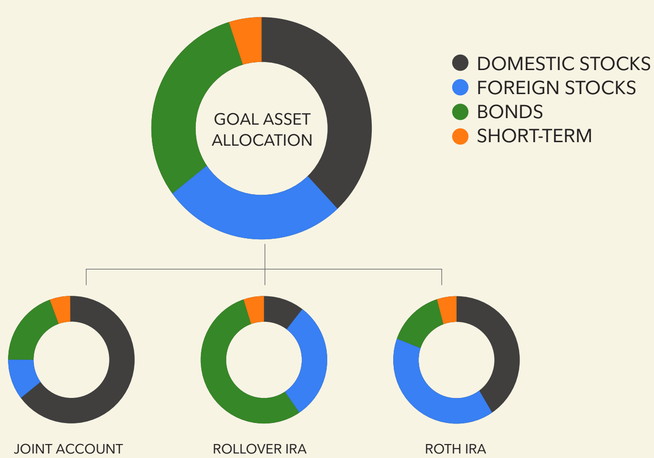
In this case, after consulting with their Fidelity advisor, the Millers elected to satisfy their required minimum distributions (RMDs) by requesting a withdrawal from their rollover IRA, while directing us to raise the remaining cash from their taxable account. While doing this, we also rebalanced their portfolio in order to maintain the appropriate level of risk across all their accounts.

Asset location can also make a significant difference here. If the client chooses to withdraw from the Roth IRA, we have the flexibility to sell assets whose gains aren't taxed. Or, if the client chooses to withdraw assets from the taxable account, we can prioritize selling those lots with a loss and using that loss to offset future gains. The bottom line is that when we're managing accounts with multiple tax registrations, we have more ways to satisfy withdrawal requests, at the client's discretion, when it comes to our efforts to reduce tax obligations while managing risk.

Personalized, tax-smart withdrawals

The Millers are now 72 years old and want to supplement their pension and Social Security income with $1,000 in monthly income from their investment accounts.

Withdrawals are made so that the goal asset allocation remains unchanged



Income is partially raised with assets from low appreciation

Income is partially raised from IRAs to satisfy RMDs

This is a hypothetical example and does not represent an actual client's portfolio.

Putting the potential of asset location to work for you

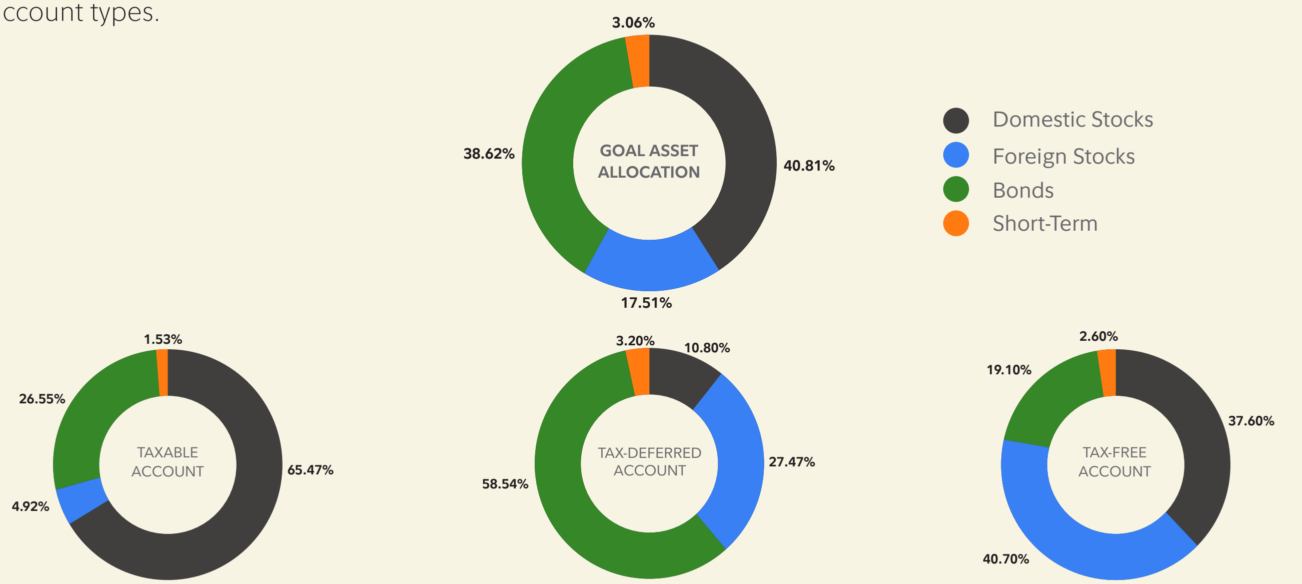
Our Household Tax-Smart Strategies put new and more powerful tools in our toolkit when it comes to our ongoing effort to reduce a client's tax obligations. The foundation of this involves the daily review of every account assigned to a goal, down to the individual tax lot. It also takes considerable skill, resources, and computing power—managed by an entire team dedicated to successful client outcomes with coordination across a client's overall financial plan, overseen by a Fidelity advisor.

At Fidelity, we've been at the forefront of tax-efficient investing for years and continuously work to increase its effect while making it more accessible to a wider range of investors. To learn more about how we can apply this approach on your behalf, speak with a Fidelity advisor.

Appendix

Sample Portfolio: Growth with Income, as of 12/31/2023

The hypothetical example below shows how we might build a portfolio using HTS around a Growth with Income investment strategy (60% stocks/40% bonds), a Total Return approach, and a Blended investment universe. In this example, you can see how the various sub–asset classes are distributed across three different account types.



Position	Percentage	Morningstar Category	Taxable	Tax Deferred	Tax Free
Domestic Stocks	**40.81%**				
US LCC SMA Proxy	**17.84%**	Large Blend	**17.84%**		
US LCG SMA Proxy	**6.84%**	Large Growth	**6.84%**		
US LCV SMA Proxy	**8.07%**	Large Value	**8.07%**		
Strategic Advisers Large Cap Fund	**3.52%**	Large Blend		**3.38%**	**0.14%**
Fidelity SAI US Low Volatility Index Fund	**0.28%**	Large Blend		**0.20%**	**0.08%**
Strategic Advisers Small-Mid Cap Fund	**3.54%**	Small Blend			**3.54%**
Fidelity SAI Inflation-Focused Fund	**0.74%**	Broad Basket		**0.74%**	
Foreign Stocks	**17.51%**				
IFO SMA Proxy	**2.00%**	Large Blend	**2.00%**		
iShares Core MSCI EAFE ETF	**0.46%**	Large Blend	**0.46%**		
Strategic Advisers International Fund	**9.90%**	Large Blend		**8.34%**	**1.56%**
Strategic Advisers Emerging Markets Fund	**5.16%**	Diversified Emerging Markets		**2.65%**	**2.51%**
Bonds	**38.62%**				
Strategic Advisers Municipal Bond Fund	**10.74%**	Muni National Long	**10.74%**		
Strategic Advisers Tax Sensitive Short-Duration	**2.54%**	Muni National Short	**2.54%**		
Strategic Advisers Core Income Fund	**21.34%**	Intermediate Core Plus Bond		**19.42%**	**1.91%**
Fidelity SAI U.S. Treasury Bond Index Fund	**4.00%**	Intermediate Government		**4.00%**	
Short-Term	**3.06%**				
Fidelity Government Cash Reserves	**3.06%**	Money Market—Taxable	**1.53%**	**1.28%**	**0.26%**
Total	**100%**		**50%**	**40%**	**10%**

The sample portfolio is presented for illustrative purposes only. It is not a recommendation by Strategic Advisers LLC (Strategic Advisers) of a specific asset allocation that is appropriate for your accounts, and the investments currently used in its managed account products may differ significantly from the investments included in this sample portfolio. This sample portfolio should not be construed as an offer to sell, a solicitation of any offer to buy, or a recommendation of any investment strategy or security by Strategic Advisers, any other Fidelity Investments company, or any third party. This sample portfolio is not intended to be reflective of your specific goals or circumstances. This baseline portfolio may change over time and may differ considerably based on individual client situations.

You could lose money by investing in a money market fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Fidelity Investments and its affiliates, the fund's sponsor, is not required to reimburse the fund for losses, and you should not expect that the sponsor will provide financial support to the fund at any time, including during periods of market stress. Fidelity's government and U.S. Treasury money market funds will not impose a fee upon the sale of your shares.

This is a hypothetical example and does not represent an actual client's portfolio.

Important Information

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

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

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. Foreign markets can be more volatile than domestic markets due to increased risks of adverse issuer, political, market, or economic developments, all of which are magnified in emerging markets.

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.

Fidelity does not provide legal or tax advice. The information herein is general and educational in nature and should not be considered legal or tax advice. Tax laws and regulations are complex and subject to change, which can materially impact investment results. Fidelity cannot guarantee that the information herein is accurate, complete, or timely. Fidelity makes no warranties with regard to such information or results obtained by its use, and disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information. Consult an attorney or tax professional regarding your specific situation.

[1]For goals that qualify, we're able to offer Household Tax-Smart Strategies, which enable us to apply enhanced tax-smart investing decisions across the Personalized Portfolios accounts, with varying tax registrations assigned to a goal. These enhanced tax-smart investing strategies enable us to build and maintain unique asset allocations for each Personalized Portfolios account, providing greater investment flexibility, and include asset location, enhanced transition management, enhanced tax-smart rebalancing, and enhanced tax-smart withdrawals to help further enhance after-tax returns. In managing client's Personalized Portfolios accounts, we'll always prioritize maintaining an asset allocation that is appropriate for your comfort with risk and your goal. Clients are responsible for managing any assets assigned to a goal that we do not manage.

[2]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.

Unless otherwise specified, Strategic Advisers LLC determines tax basis at the time of sale based on the specific share identification tax-basis method. Income exempt from federal income tax may be subject to state or local tax. A portion of distributions from tax-exempt or municipal bond funds may be subject to federal, state, or local income, or alternative minimum taxes. For federal tax purposes, a fund's distributions of gains attributable to a fund's sale of municipal or other bonds are generally taxable as either ordinary income or long-term capital gains. Redemptions, including exchanges, may result in a capital gain or loss for federal tax purposes.

Fidelity® Wealth Services provides nondiscretionary financial planning and discretionary investment management through one or more Personalized Portfolios accounts for a fee. Advisory services offered by Strategic Advisers LLC (Strategic Advisers), a registered investment adviser. Brokerage services provided by Fidelity Brokerage Services LLC (FBS), and custodial and related services provided by National Financial Services LLC (NFS), each a member NYSE and SIPC. Strategic Advisers, FBS, and NFS are Fidelity Investments companies.

Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

832669.16.0