VIDEO TRANSCRIPT

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LORD ABBETT®

Lord Abbett Explains: Separately Managed Accounts - Customization and Tax Efficiency

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In the second part of this series, Lord Abbett Product Specialist Stephen Hillebrecht discusses the potential benefits of owning the securities directly in a separately managed account (SMA).

STEVE HILLEBRECHT: What if your investment portfolio was built just for you? Well, by investing through a Separately Managed Account, or SMA, it can be. But how? More details on that in this installment of Lord Abbett Explains: SMAs.

In this video, we'll dive into two potential benefits of SMAs: **customization and tax efficiency.**

Customization That Reflects You

Unlike pooled investment vehicles such as mutual funds or exchange-traded funds (ETFs), SMAs allow you to align your investments with your personal goals, values, and preferences. Because you own the individual securities directly, you have greater transparency into what you hold. And you also have more control over how your portfolio is managed.

For example, with equity SMAs, you may be able to exclude specific companies or entire industries from your portfolio. And with certain municipal bond accounts, you can target bonds based on specific credit quality and maturity ranges, or the state in which they were issued, building a portfolio that meets your specific needs. This level of customization simply isn't possible with traditional pooled vehicles.

Tax Efficiency That Works Smarter

Since you own the underlying securities in your portfolio, not shares of a Fund or ETF, this could help you to take advantage of strategic tax management techniques. For example, with a separately managed account you can employ tax-loss harvesting strategies, helping to allow you to offset gains in other parts of your portfolio, potentially reducing your tax bill. And unlike traditional pooled vehicles, SMAs don't have scheduled capital gains distributions at year-end. As a result, you have more control over when and how you realize gains or losses, which can potentially allow you to keep more of what you earn.

The Takeaways

The bottom line: SMAs combine the sophistication of professional money management with the flexibility and transparency of direct ownership. For investors seeking a more personalized way to invest especially those with complex tax situations or specific preferences, SMAs can be a powerful solution.

So, remember: **Customization. Tax Efficiency. Control.**

That's the SMA experience.

Thanks for watching.

Don't miss our next episode of Lord Abbett Explains: SMAs where we'll explore what we believe you should look for in an SMA manager.

Glossary

A **separately managed account (SMA)** is a portfolio of assets managed by a professional investment firm. SMAs offer the opportunity for more customization in investment strategy, approach, and management style than traditional mutual funds do. SMAs offer direct ownership of securities and tax advantages over mutual funds.

Pooled investment vehicles: Investment funds that pool money from multiple investors to purchase securities, such as mutual funds or exchange-traded funds (ETFs).

Equity SMAs: Separately managed accounts that invest in stocks (equities), allowing for customization based on specific companies or industries.

Fixed income SMAs: Separately managed accounts that invest in bonds, offering customization based on credit quality, maturity, or the state in which municipal bonds were issued.

Tax-loss harvesting: A strategic tax management technique where underperforming securities are sold at a loss to offset gains, potentially reducing the investor's tax bill.

Capital gains distribution: The distribution of profits from the sale of securities within a mutual fund, typically occurring at year-end, which can result in taxable gains for the investor.

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