Hi Friends,

You're busy, but **your financial well-being always deserves a moment**! Among other things, I wanted to use this month's ***Wealthful Wisdom for Impact Newsletter*** as an opportunity to share what we believe to be one of the most important trends in asset management and one of the most impactful strategies we've adopted over the past few years that also incorporates ESG (environmental, social, and governance) solutions that are in step with your values – **direct indexing**.

In short, direct indexing is a strategy that seeks to provide the market-tracking returns of index investing, while offering potentially significant tax and other advantages. This is a strategy that many large institutions have used for decades, but only recently have advances in technology and reductions in trading costs made it accessible to the masses. And to be clear, direct indexing will not be a fit for all investors, as it does add additional complexity to a portfolio and the tax benefits may not be as advantageous in all circumstances.

I've outlined a few ways this strategy can benefit investors when we determine it is a suitable fit within their broader financial plan.

Index Returns → Index investing has proven very difficult to beat and exploded in popularity in recent decades, with many portfolios now seeking to match the return of a given index, for example the S&P 500, through a low-cost, tax-efficient index mutual fund or exchange-traded fund (ETF). Direct indexing takes the approach a step further and **rather than owning a single fund to track the index, the investor owns a sampling of the individual stocks within that index,** and that is where the potential benefits come from.

Tax Alpha → By owning individual stocks, the managers overseeing the direct indexing strategy are able to go into clients' portfolios and systematically harvest tax losses when stocks decline. By swapping one stock at a loss for another stock occupying a similar space in the market, they are able to generate tax losses on paper while maintaining market exposure and seeking to match index returns – and avoid IRS wash sale rules in the process. These realized tax losses can then be used by investors to help offset capital gains elsewhere in their portfolio, deduct up to $3,000 against their income each year or carried forward for use in future years. These deductions can help provide real tax savings and potentially provide investors with better after-tax returns. **This benefit is often referred to as "tax alpha".**

Customization → An additional benefit of owning individual stocks vs. an index fund is the ability to customize your holdings based on any number of preferences, **including ESG**. **Investors may have a concentrated exposure to a specific stock or sector or have a values-driven goal for their investments – these can all be factored into your portfolio by having the manager reduce or exclude certain stocks or sectors based on your instructions. For ESG specifically, methodologies can apply positive screening favors for stocks with positive ESG rating or best-in-class within a sector to create personalized indexes.** Exclusionary screening is also available, excluding specific securities or sectors based on an investor's preferences. This can be particularly useful for investors with employee stock from large companies whose stock may comprise a significant portion of an index . By excluding that stock from their direct indexing portfolio, investors have the ability to avoid inadvertently increasing their concentration or they can manage their concentration by funding their direct indexing account with existing shares.

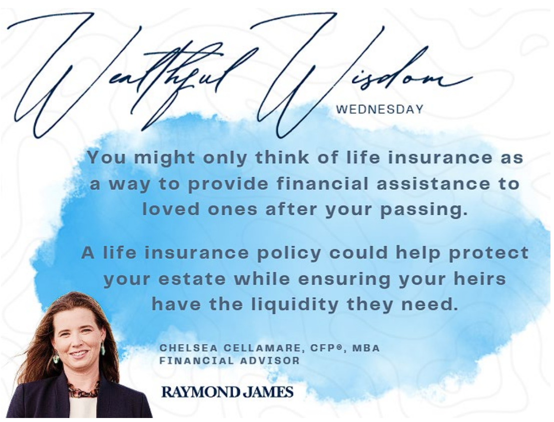
Charitable Giving → Additionally, **if you ever make charitable gifts using highly-appreciated securities, owning individual stocks vs. a fund provides you even more flexibility. With direct indexing, you are able to pick out the stocks with the largest gains over time and use those to fund donations,** generating additional tax benefits by foregoing those capital gains and receiving a larger charitable deduction.

Legacy Investments → Finally, direct indexing can be a great option for dealing with legacy holdings. **If you have a portfolio of existing stocks that you are unhappy with for any reason (i.e. not aligned with your environmental, sustainable, social, governance values), or just no longer want to manage the same way, but don't want to sell them and realize capital gains, you can use those stocks to build out a direct indexing account.** Our team will provide a personalized recommendation on what to keep, what to sell and what to buy in a way designed for tax efficiency while **moving toward an ESG tilted index-investing approach**.

If you have any questions or would like more information about direct indexing and how it might fit into your portfolio and overall financial plan, please don't hesitate to reach out. I'm always happy to help. Enjoy a few more Wealthful Wisdom topics further below.

On a personal note, my family had a wonderful time (despite out lackluster kicking skills) as guests of Johns Hopkins All Children's Hospital at the annual Kicking for Kids celebration and check distribution event. As a grateful patient family, we care tremendously for the organization and it's great that Raymond James and the Tampa Bay Buccaneers have teamed up more than 20 years to support local children's hospitals through Kicking for Kids. Picture below.

September is Life Insurance Awareness Month



Life insurance is often overlooked, despite it being a fundamental component of a sound financial plan. Here's a few great tools and reads about the important role life insurance can take within a financial plan:

Life Insurance Policy Review Checklist

Comprehensive Life Insurance Analysis

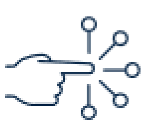
Bolster Your Business Planning Strategy with Life Insurance

← ***Life Insurance, Loans and Liquidity for Your Heirs***

More Sustainability Spotlights

Thinking of making energy efficient home improvements?

You may be eligible for some of the great energy efficient home improvement **tax credits** available in 2023-2032 as part of the Green New Deal Act (a.k.a. Inflation Reduction Act of 20233). Learn what qualifies in the attachment and here. Seek out your tax professional for further tax-related details and advice.



AI is the latest buzzword.

Learn *How AI and Clean Tech Help Create Better, Greener Buildings*

New to Understanding ESG/Sustainable Investing?

Here's some of my favorite resources for you to explore:

Sustainable Investing Misconceptions vs Reality

Why Choose Sustainable Investing

What is Sustainable Investing? Sustainable investing allows clients to purposely invest in companies and initiatives making a positive impact in the world. This approach assesses not only a company's bottom line, but the way it gets there. A wide range of **environmental**, **social** and **governance** (ESG) issues can be considered in assessing a company's sustainability and long-term performance potential, for example:

Best,

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Incorporating sustainable investing criteria into the investment selection process may result in investment performance deviating from other investment strategies or broad market benchmarks.