

12/01/2008 by Richard Dragotta

## **Tis the Season For a "Double Whammy" For Mutual Fund Investors**

As most investors find it gut wrenching in facing the significant losses they have incurred, could you be an investor that receives a "double whammy" this year? Imagine if you own mutual funds in a taxable account down significantly this year, only to find out next year that you have unexpected tax bill! How can that be? Here's how many mutual fund investors could be taxed on a mutual funds that have performed horrible this year.

Given the historic downturn in the financial markets and extreme volatility, this year could be one of the worst years in highlighting the inequity of the tax code for mutual fund investors. Mutual fund companies are required to pay out year-end distributions to their shareholders when they receive any profits on the investments they sold throughout the year. Given the extreme market volatility and panic by many investors demanding their money, many mutual funds sold investments that they might have owned for a long time to meet the demand of redemptions. Although these realized gains are probably not as large as a year ago, they are still gains that are passed proportionality to the shareholder regardless of whether the shareholder has a positive return this year.

What can a mutual investor do? Although you can't change the tax code or the selling that went on in a mutual fund you may be able to dampen the potential tax burden. But you have to act quickly. December is a time most mutual funds report the year-end distributions. Call your mutual fund company or don't let your sleeping, shell shocked advisor forget to alert you to your potential mutual fund distributions/ tax liability before December 31st! If in fact you are going to receive some taxable distributions from mutual funds you own, there are many simple strategies to dampen or completely offset this tax liability since many investors have losses this year. It would be horrific to have your accountant next year alert you to an additional tax liability when it could have easily been avoided.

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