

# Managing equities portfolios with large CGT issues

One of the difficult problems an advisor has to contend with is dealing with large CGT issues in a client portfolio.

There are two common scenarios:

- A client comes in with a large portfolio of stocks which would incur a large capital gains tax (CGT) liability if sold.
- A client retires with a large stock entitlement through an ESS from their employer, a listed company

The client in both cases is looking to achieve a more diversified and balanced portfolio and is unwilling or unable to manage it themselves - What to do?

1. Sell the holdings and replace with a managed structure - the client gets a large tax bill.
2. Leave the portfolio as is and hope it goes OK.
3. Attempt to manage the portfolio for the client - very time consuming and a risk to the adviser.

All the above are less than ideal for the client and expose the adviser to unacceptable risk - a difficult issue to deal with.

**PPM offers a solution that is beneficial to the client and relieves the adviser of the difficult situation.**

Working closely with the adviser, PPM - a professional investment manager, can take on the management of the client's existing equity holdings, without triggering any tax consequences, and actively manage the portfolio from an after-tax perspective.

PPM then works collaboratively with the client and their adviser to effectively manage holdings with large CGT implications and over time develop a balanced and risk assessed portfolio to meet the client's investment objectives.

This is an active and diligent process requiring bespoke investment management expertise. PPM provides the adviser and the client with regular detailed reporting including tax reporting which enables them to manage the overall situation more effectively.



In relation to the second scenario where a client has a significant entitlement to stock as a result of participating in an employee share plan of a listed company. The client may now be retiring. This holding then leaves their total portfolio asset allocation very one sided and not appropriate in retirement. Further, there is a big capital gains tax liability which would have to be dealt with if the stock was sold. PPM's approach when working with the client's adviser, involves managing and limiting and the realisation of gains required to maximise the client's benefit.

PPM Chairman and Portfolio Manager, Hugh MacNally notes from his 30+ years of experience in assisting clients in these scenarios that: **"In the competitive financial services environment, the ability to integrate tax planning with investment management gives the adviser a powerful weapon to offer sophisticated and discerning clients."**

Call PPM if you would like to find out more about how this approach could help your clients.

## About PPM

PPM is a privately-owned boutique investment manager with a 20 year performance track record that specialises in the construction and management of direct investment portfolios for long term wealth creation. Portfolios can be composed of domestic equities or global equities or a combination of both. PPM offers both Individually Managed Account (IMA) and Separately Managed Account (SMA) solutions. Administration and custody are provided for IMA products and the Domestic and Global SMAs are provided on a range of platforms.

PPM manages IMAs and SMAs for clients of advisers and accountants, charities and family offices.

PPM works in partnership with professional advisers and accountants to provide investment management services for their clients. Management of portfolios integrates investment management and tax planning to facilitate the best after tax result for their clients.

PPM has a team of experienced investment analysts and portfolio managers who are responsible for researching and executing both domestic and global equities individual mandates through a combination of 'top down' and 'bottom up' analysis.

For more information about PPM please visit [www.ppmfunds.com](http://www.ppmfunds.com)



Discover how PPM can provide solutions for your CGT issues by contacting us on (02) 8256 3777.

### Jill May

Senior Client  
Relationship Manager

[jm@ppmfunds.com](mailto:jm@ppmfunds.com)

This document does not take into account individual's objectives, financial situation or needs. You should assess whether the information is appropriate for you and consider talking to a financial adviser before making any investment decision. Past performance is not necessarily indicative of future returns. The financial service detailed in this document does not represent a deposit or a liability and is subject to investment risk including possible loss of income and capital. Neither PPM nor its directors or employees or any associate guarantee the repayment of capital, payment of income or any fund or Portfolio's performance. The information provided in this document is intended for general use only and is taken from sources which are believed to be accurate but PPM accepts no liability of any kind to any person who relies on the information contained in this document. © 2019 Private Portfolio Managers Pty Limited ABN 50 069 865 827 AFS Licence No. 241058.