



Tax Benefits Managed Futures

This piece is for information only and not intended as tax advice. Please consult your own tax advisor regarding your individual tax situation.

Investing in managed futures may carry significant tax benefits. Per the Economic Recovery Tax Act of 1981: any capital gain or loss from covered derivatives (referred to as "section 1256 contracts") would be treated as 60 percent long-term and 40 percent short-term.

All gains earned from managed futures accounts are taxed as if they were made up 60% long term capital gains and 40% short term capital gains.

Therefore, 60% of the gains are considered long term capital gains. Most investors are subject to a maximum Federal income tax rate for long term capital gains of only 15%. However, there is a 20% tax rate on net capital gains which exceed the threshold set for those that are in the 39.6% ordinary tax rate (\$415,050 for singles and \$ 466,950 for married filing jointly). This is a difference of approximately 20% over ordinary income tax rates.

Unlike many other investments, such as stocks, which need to be held for at least 12 months before they gain the coveted long-term capital gain rights, managed futures investments do not have to be held for a specified period for the "60-40" rule to apply.

This favorable tax treatment for futures can translate for those in the upper tax brackets, saving as much as 20% on taxes on short-term gains in futures versus stocks.

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DISCLAIMER: Trading commodity futures and options products presents a high degree of risk, and is not suitable for all investors. Losses in excess of your initial investment may occur. Past performance is not necessarily indicative of future results. Please contact your account representative with any concerns or questions.

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