

Trade Idea: Tax-Loss Harvesting

Implementing a Tax Strategy as 2018 Year-End Approaches

As 2018 comes to a close, we provide concrete trade ideas to help your clients harvest tax savings from under-performing securities.

What is tax-loss harvesting?

- Tax-loss harvesting is a year-end strategy investors can use to reduce their tax liability. By disposing of securities with accrued capital losses, investors can help offset taxes otherwise payable in respect of other securities that were sold at a capital gain. The proceeds from the sale of these securities can then be reinvested in different securities with similar exposures to the securities that were sold, in order to maintain market exposure.
- If capital gains are not available in the current year, the realized losses may be carried back for three years to shelter gains realized in those years or carried forward to reduce capital gains in upcoming years.
- The ability to recognize a capital loss for tax purposes may be restricted in certain circumstances, including where the acquired security is identical to the security that is sold. Investors should not repurchase the loss security within 30 days of the loss sale. Investors should consult their own tax advisor to ensure that restrictions do not apply.

Tax-Loss harvesting example:

- Realized capital gains from previous transactions or capital gains distributions from mutual funds can be offset by selling securities, which are trading at a lower price than their adjusted cost base.
- Investors can then use the proceeds from the security that is sold to invest in a different security, such as a BMO Exchange Traded Fund (ETF).
- In addition to common shares, tax-loss harvesting can also be applied in respect of other financial instruments that are on capital account, such as bonds, preferred shares, ETFs, mutual funds, etc.

Important dates to remember:

- December 27, 2018 – Last day for Canadian and U.S. tax-loss selling (with T+2 settle).

Please note the tables below are used for illustrative purposes only, where losses are calculated based on year-to-date. For tax purposes, capital losses are based on the difference between price sold and book value.

Canadian Equities				
Ticker	Name	Gain/Loss	BMO ETF	Ticker
ALA	AltaGas Ltd	-43.9%	BMO Equal Weight Utilities Index ETF	ZUT
CPG	Crescent Point Energy Corp	-35.0%	BMO Equal Weight Oil & Gas Index ETF	ZEO
ECA	Encana Corp	-33.2%	BMO Equal Weight Oil & Gas Index ETF	ZEO
LUN	Lundin Mining Corp	-29.8%	BMO Equal Weight Global Base Metals Hedged To CAD Index ETF	ZMT
BTE	Baytex Energy Corp	-29.0%	BMO Equal Weight Oil & Gas Index ETF	ZEO
LB	Laurentian Bank of Canada	-25.7%	BMO Equal Weight Banks Index ETF	ZEB
WJA	WestJet Airlines Ltd	-25.1%	BMO Equal Weight Industrials Index ETF	ZIN
CUF-U	Cominar Real Estate Investment Trust	-22.9%	BMO Equal Weight REITs Index ETF	ZRE
G	Goldcorp Inc	-21.9%	BMO Equal Weight Global Gold Index ETF	ZGD

Source: Bloomberg (Price returns used from December 29, 2017 to November 1, 2018).



Canadian Equities (cont'd)

Ticker	Name	Gain/Loss	BMO ETF	Ticker
CWB	Canadian Western Bank	-21.3%	BMO Equal Weight Banks Index ETF	ZEB
SNC	SNC-Lavalin Group Inc	-19.3%	BMO Equal Weight Industrials Index ETF	ZIN
AEM	Agnico Eagle Mines Ltd	-16.5%	BMO Equal Weight Global Gold Index ETF	ZGD
CNQ	Canadian Natural Resources Ltd	-16.5%	BMO Equal Weight Oil & Gas Index ETF	ZEO
CU	Canadian Utilities Ltd	-16.3%	BMO Equal Weight Utilities Index ETF	ZUT
ENB	Enbridge Inc	-16.0%	BMO Equal Weight Oil & Gas Index ETF	ZEO
TECK/B	Teck Resources Ltd	-15.2%	BMO Equal Weight Global Base Metals Hedged To CAD Index ETF	ZMT
RUS	Russel Metals Inc	-14.4%	BMO Equal Weight Industrials Index ETF	ZIN
EMA	Emera Inc	-14.1%	BMO Equal Weight Utilities Index ETF	ZUT
H	Hydro One Ltd	-13.5%	BMO Equal Weight Utilities Index ETF	ZUT
BNS	Bank of Nova Scotia/The	-13.4%	BMO Equal Weight Banks Index ETF	ZEB
TCL/A	Transcontinental Inc	-12.6%	BMO Equal Weight Industrials Index ETF	ZIN
BPY-U	Brookfield Property Partners LP	-11.6%	BMO Equal Weight REITs Index ETF	ZRE
FTT	Finning International Inc	-10.6%	BMO Equal Weight Industrials Index ETF	ZIN
CHP-U	Choice Properties Real Estate Investment	-9.7%	BMO Equal Weight REITs Index ETF	ZRE

Source: Bloomberg (Price returns used from December 29, 2017 to November 1, 2018).



U.S. Equities

Ticker	Name	Gain/Loss	BMO ETF	ETF Ticker
KHC	Kraft Heinz Co/The	-35.0%	BMO Global Consumer Staples Hedged To CAD Index ETF	STPL*
GIS	General Mills Inc	-29.4%	BMO Global Consumer Staples Hedged To CAD Index ETF	STPL*
CELG	Celgene Corp	-29.3%	BMO Equal Weight US Health Care Hedged To CAD Index ETF	ZUH*
F	Ford Motor Co	-25.4%	BMO Global Consumer Discretionary Hedged To CAD Index ETF	DISC*
IBM	International Business Machines Corp	-25.2%	BMO Global Communications Index ETF	COMM
TSN	Tyson Foods Inc	-24.4%	BMO Global Consumer Staples Hedged To CAD Index ETF	STPL*
TAP	Molson Coors Brewing Co	-23.5%	BMO Global Consumer Staples Hedged To CAD Index ETF	STPL*
HOG	Harley-Davidson Inc	-22.1%	BMO Global Consumer Discretionary Hedged To CAD Index ETF	DISC*
EBAY	eBay Inc	-22.0%	BMO Global Consumer Discretionary Hedged To CAD Index ETF	DISC*
T	AT&T Inc	-21.8%	BMO Global Communications Index ETF	COMM
CL	Colgate-Palmolive Co	-20.5%	BMO Global Consumer Staples Hedged To CAD Index ETF	STPL*
ABBV	AbbVie Inc	-17.6%	BMO Equal Weight US Health Care Hedged To CAD Index ETF	ZUH*
MS	Morgan Stanley	-13.1%	BMO Equal Weight US Banks Index ETF	ZBK
EA	Electronic Arts Inc	-12.3%	BMO Global Communications Index ETF	COMM
WFC	Wells Fargo & Co	-12.0%	BMO Equal Weight US Banks Index ETF	ZBK

Source: Bloomberg (Price returns used from December 29, 2017 to November 1, 2018). All losses of stocks quoted in U.S. Dollar terms.

*Indicates ETF is currency hedged to Canadian dollar.

Fixed Income and Preferred Shares:

- For fixed income and preferred shares trading at a loss, institutions and financial advisors can contact their BMO ETF Specialist and potentially converting them into a BMO ETF. By doing so, investors can realize losses on an individual security but remain invested in an asset class through a BMO ETF. For further details on the conversion please [click here](#) or [contact your BMO ETF Specialist](#).

For questions, please contact:

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Disclosure:

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