UNIVERSITY OF CALIFORNIA

Tax-Efficient Investing

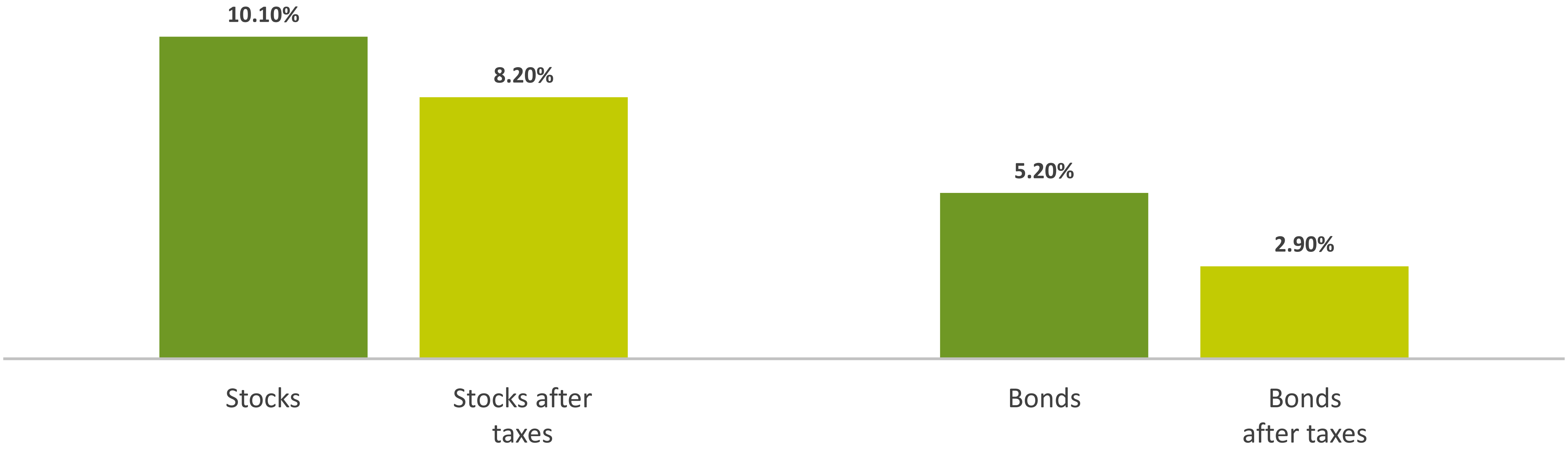
This information is intended to be educational and is not tailored to the investment needs of any specific investor.

Help build your wealth faster with tax-efficient investing strategies.

Taxes Can Significantly Reduce Returns

IMPACT OF TAXES ON INVESTMENT RETURNS* — 1926–2022

Average Annual Return %



***Past performance is no guarantee of future results**. This chart is for illustrative purposes only and does not represent actual or future performance of any investment option. An investment cannot be made directly in an index.

Stocks are represented by the Ibbotson® Large Company Stock Index. Bonds are represented by the 20-year U.S. government bond. An investment cannot be made directly to an index. The data assumes reinvestment of income and does not account for transaction costs. Please see Appendix A for details.

Types of Taxes

TAX TYPES	IMPACT*
Long-Term Capital Gains Qualified Dividends	Up to 23.8%† (plus state and local taxes)
Short-Term Gains Interest and Non-Qualified Dividends	Ordinary income tax rates are potentially subject to the Medicare surtax — up to a total of 40.8%† in 2023 (plus state and local taxes)

*Tax rates as of January 2023.

†Includes 3.8% Medicare surtax, which applies to single filers with Modified Adjusted Gross Income (MAGI) above $200,000 and joint filers with MAGI above $250,000.

Historical Tax Rates

TOP U.S. FEDERAL TAX RATES

This chart displays the top federal marginal ordinary income tax rates and long-term capital gains tax rates, including the Medicare surcharge. Source: IRS and Wolters Kluwer Tax & Accounting

Develop an Ongoing Strategy with Fidelity

Education on tax concepts

Resources to help support tax-efficient investing

Options to improve the tax-efficiency of your portfolio

Today's Questions

1

Do you know how taxes affected your portfolio last year?

2

How concerned are you about taxes?

3

Do you know how to create a plan to manage, defer, and reduce taxes?

Defer Taxes

Manage Taxes

Reduce Taxes

Creating a More Efficient Investing Strategy

Defer Taxes

UC 403(b), 457(b), and DC Plans

401(k)s

IRAs

Deferred Annuities

Deferring Taxes with Tax-Advantaged Accounts

	2023 ANNUAL CONTRIBUTION LIMITS	REQUIRED MINIMUM DISTRIBUTION RULES Mandatory Withdrawals Starting in the Year You Turn 73
UC Retirement Savings Plans UC 403(b) and UC 457(b)	**$22,500 per year, per employee** If age 50 or above, $30,000 per year	✓ **
IRAs Traditional* and Roth†	**$6,500 per year** If age 50 or above, $7,500 per year	✓ (except for Roth)
Tax-Deferred Annuities	**No contribution limit‡**	Does **not** apply to nonqualified assets

The change in the RMDs age requirement from 72 to 73 applies only to individuals who turn 72 on or after January 1, 2023. After you reach age 73, the IRS generally requires you to withdraw an RMD annually from your tax-advantaged retirement accounts (excluding Roth IRAs, and Roth accounts in employer retirement plans accounts starting in 2024). Please speak with your tax advisor regarding the impact of this change on future RMDs.

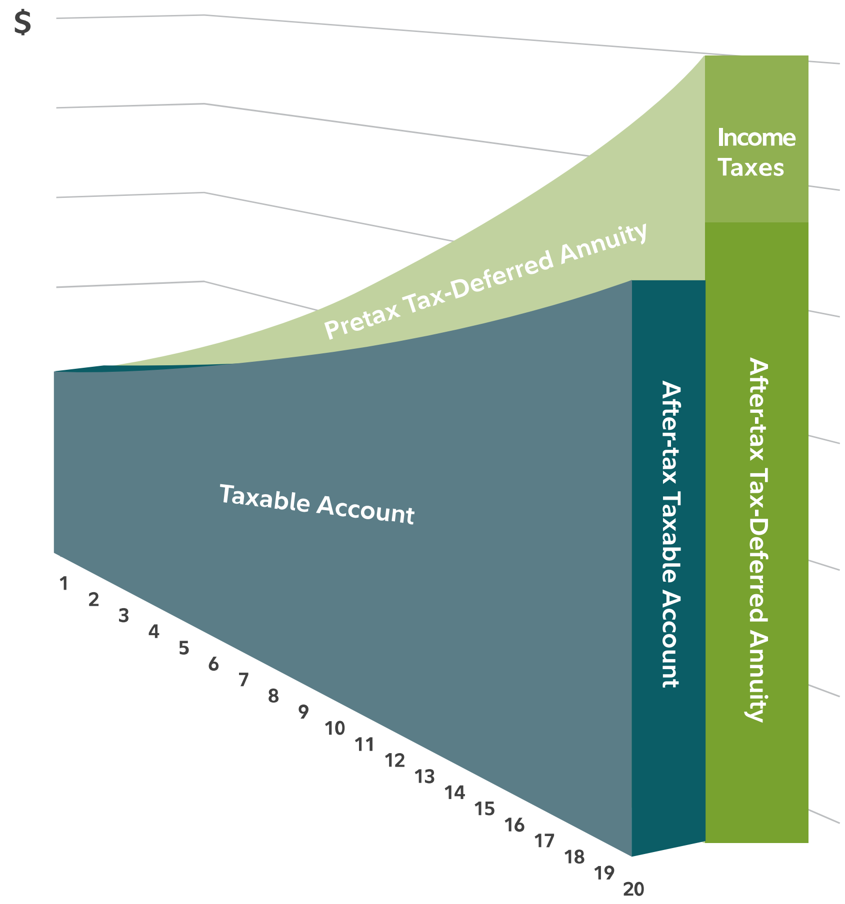
*For a Traditional IRA, full deductibility of a contribution is available to active participants whose 2023 Modified Adjusted Gross Income (MAGI) is $116,000 or less (joint) and $73,000 or less (single); partial deductibility for MAGI up to $136,000 (joint) and $83,000 (single). In addition, full deductibility of a contribution is available for working or nonworking spouses who are not covered by an employer-sponsored plan and whose spouse is covered by an employer-sponsored plan and whose MAGI is less than $218,000 for 2023; partial deductibility for MAGI up to $228,000.

†Roth IRA income requirements: For single filers: For 2023, single filers with Modified Adjusted Gross Income (MAGI) up to $138,000 are eligible to make a full contribution; a partial contribution can be made for MAGI of $138,000–$153,000. For 2023, married filing jointly with MAGI up to $218,000 for a full contribution; partial contribution for MAGI of $218,000–$228,000.

**If you are still working for your employer at age 73, own less than 5% of the company and contributing to the plan, you can delay initiating RMDs until the year after you retire.

Tax-Advantaged Accounts Can Help Your Money Grow

Compounding can help you save more



This hypothetical example is for illustrative purposes only. It is not intended to predict or project product fees or investment results. Your rate of return may be higher or lower than that shown above. You should consider your current and anticipated investment horizon and income tax bracket when making an investment decision, as the illustration may not reflect these factors. Please see Appendix A for additional information.

Match the Right Account with the Right Investment

Trying to match investments and accounts

	TAXABLE	TAX-DEFERRED	TYPICAL TAX TREATMENT OF EXPECTED RETURN
Equity securities held long term for growth	More Appropriate	Appropriate	Taxed at Long-Term Capital Gain Rates
Equity index funds/ETFs (other than REITs)	More Appropriate	Appropriate	
Tax-managed equity mutual funds and separately managed accounts	More Appropriate	Less Appropriate	
Real estate investment trusts (REITs)	Appropriate	More Appropriate	Generally, 80% of Income Taxed at Ordinary Rates; 20% Tax-Exempt
High-turnover stock mutual funds that deliver effectively all returns as short-term capital gains	Less Appropriate	More Appropriate	Taxed at Ordinary Income Rates
Fully taxable bonds and bond funds	Less Appropriate	More Appropriate	
Tax-free municipal securities and mutual funds	More Appropriate	Less Appropriate	Tax-Exempt

More Appropriate Appropriate Less Appropriate

*May be in the case of Treasury securities/funds for high-income residents of states with high state income tax.

Reduce Taxes

Charitable Giving
(Current)

Roth IRAs
(Future)

Strategies to Help You Reduce Taxes

Charitable Giving

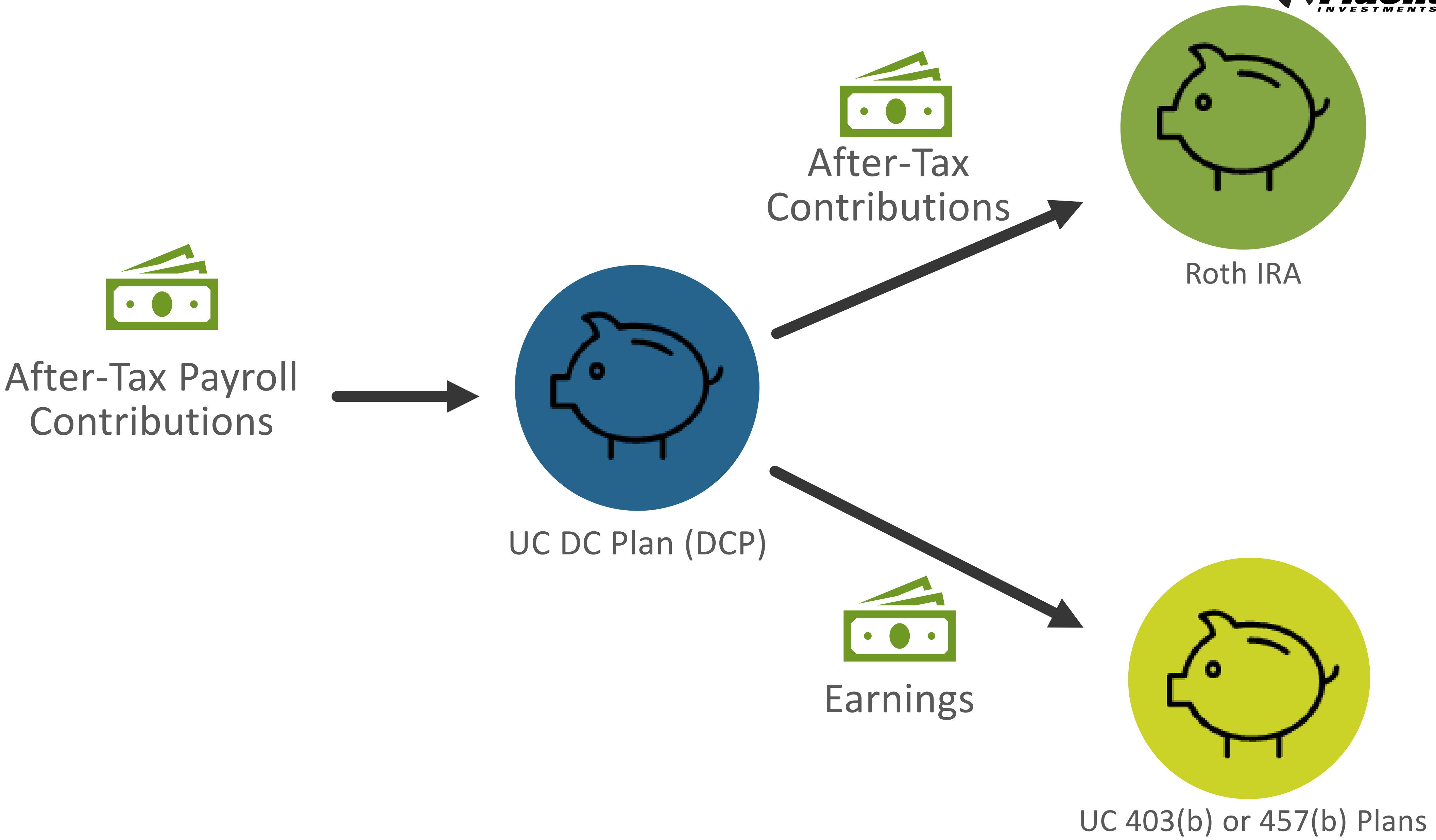
529 College Savings Accounts

Health Savings Accounts

Roth Accounts

Roth IRA conversion

DCP After-Tax to Roth IRA Conversion



Right Asset: Check or Long-Term Appreciated Stock?

$20,000

Donation to Charity

CHECK	STOCK ($20,000 FMV / $10,000 cost basis)

What is the purchasing power of each asset?

$20,000	**$18,500** After -$1,500 in capital gains assessed

If donated, how much does the charity receive?

$20,000	**$20,000**

What if you want to keep the security?

Potential to use the original check to repurchase the stock

Give the same amount to charity using an asset of lower value.

Reset cost basis from

$10,000 to $20,000

Stock's new purchasing power

$20,000

Two tax benefits giving stock: FMV tax deduction & minimize capital gains

This is a hypothetical example for illustrative purposes only. The example only considers stock in publicly traded companies, takes into account a 15% capital gains rate and assumes the appreciated asset has been held for longer than one year.

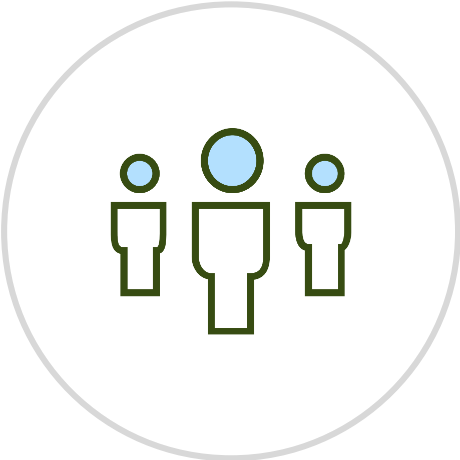
Donor-Advised Funds

Give

Donors make
a tax-deductible donation*

Grow

…grow the donation
tax-free



Grant

…and support charities

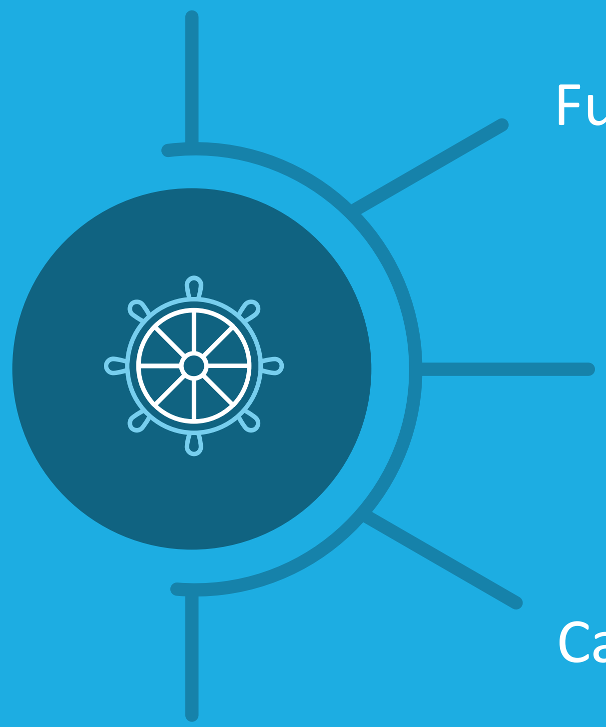
*For contributions of complex or non-publicly traded assets generally fair market value is determined by a qualified appraiser in compliance with IRS.

Bunching

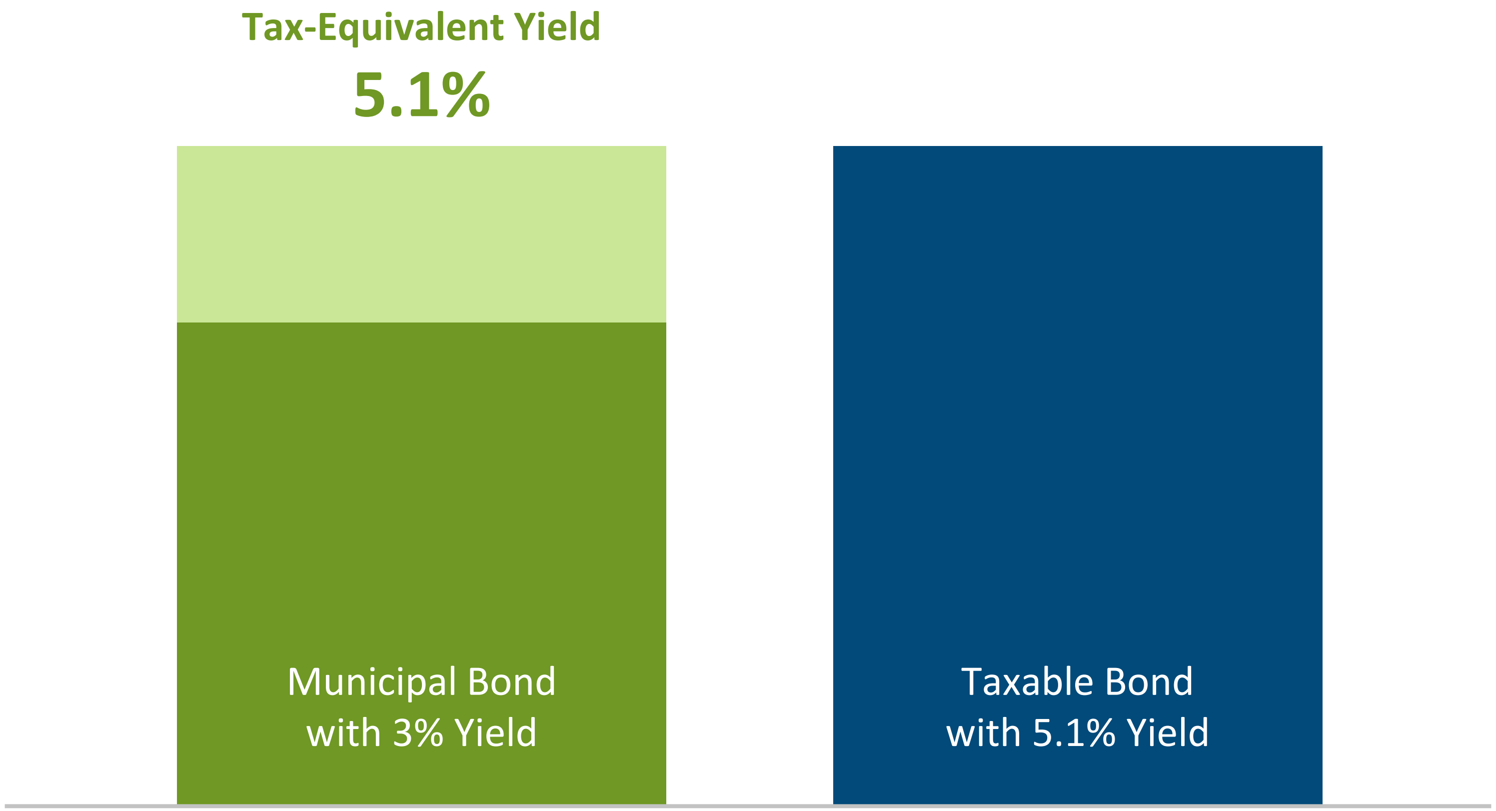
$8,190 more saved by using the bunching strategy

This is a hypothetical example for illustrative purposes only. This chart assumes a married filing jointly couple, both under 65, and neither blind, who contribute a cash gift. The tax savings referenced here are specific to the charitable donation made above the 2023 $27,700 standard deduction. Information herein is not legal or tax advice.

Manage Taxes



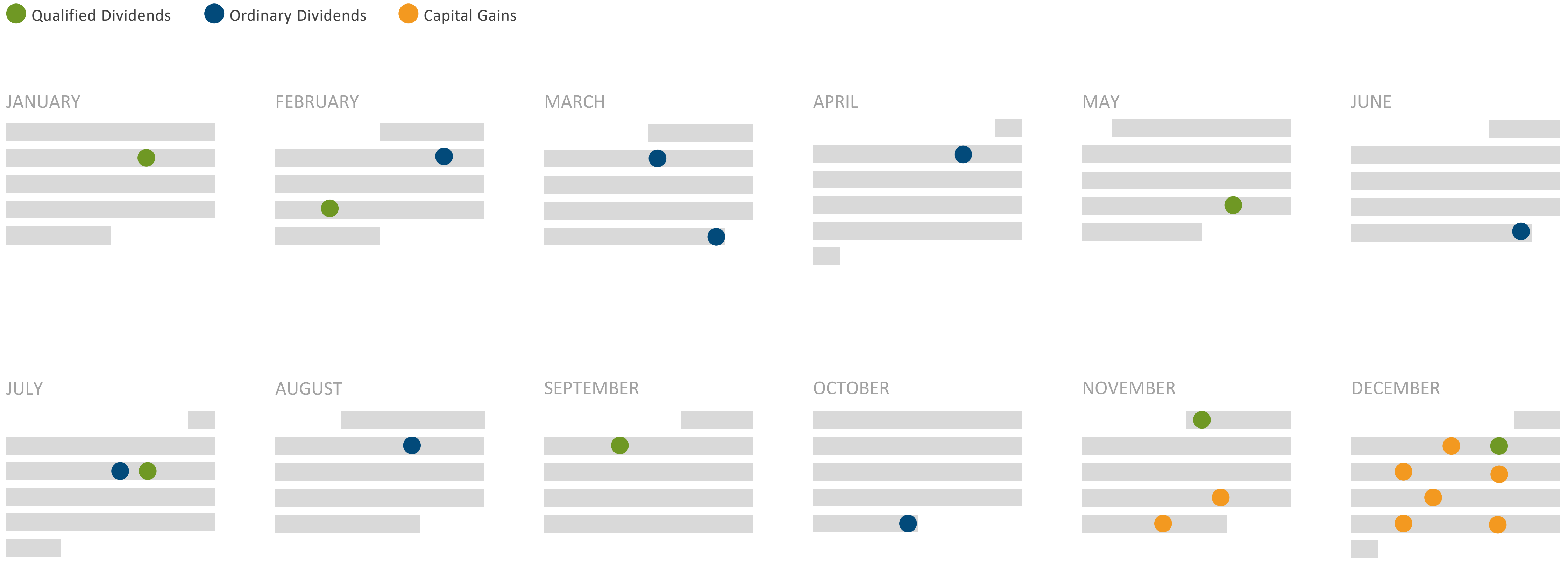
Municipal Bonds



For investors in the highest federal tax bracket (40.8%). **Hypothetical example for illustrative purposes only.**

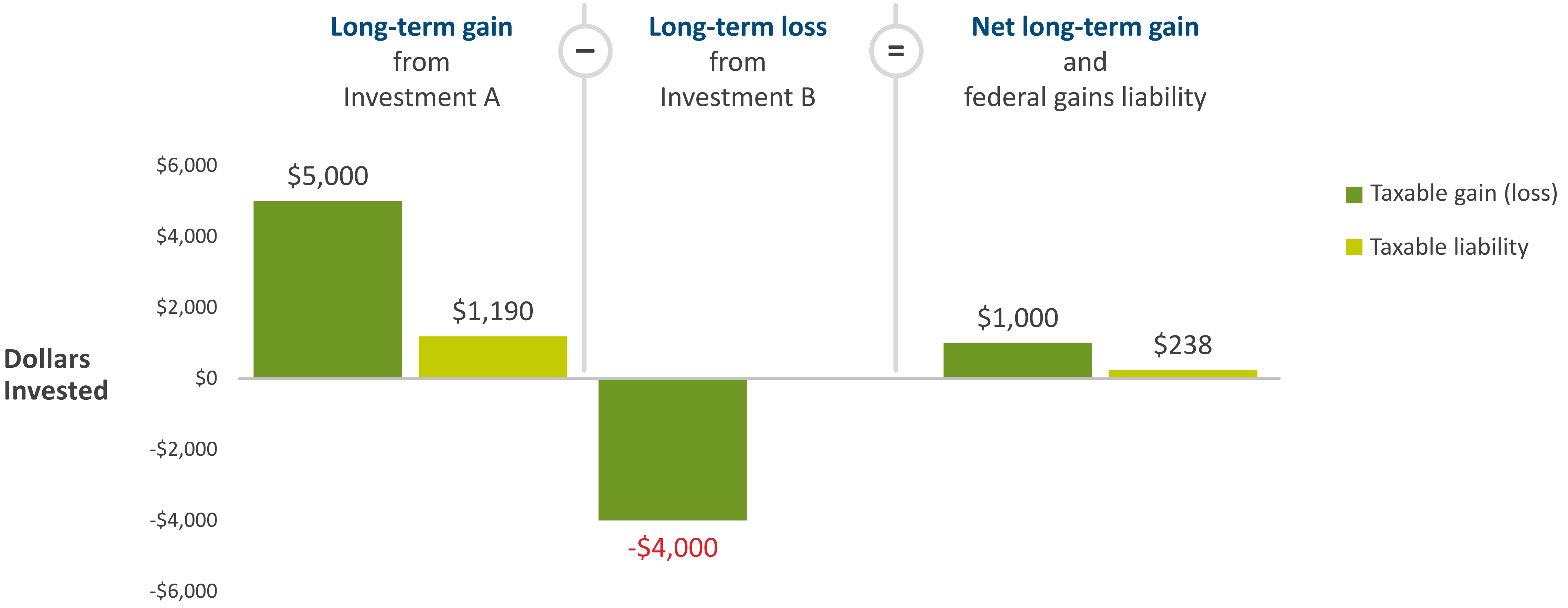
Exposure to Fund Distributions

Potential taxable distributions in a portfolio



Hypothetical example for illustrative purposes only.

Tax-Loss Harvesting Can Save You Money



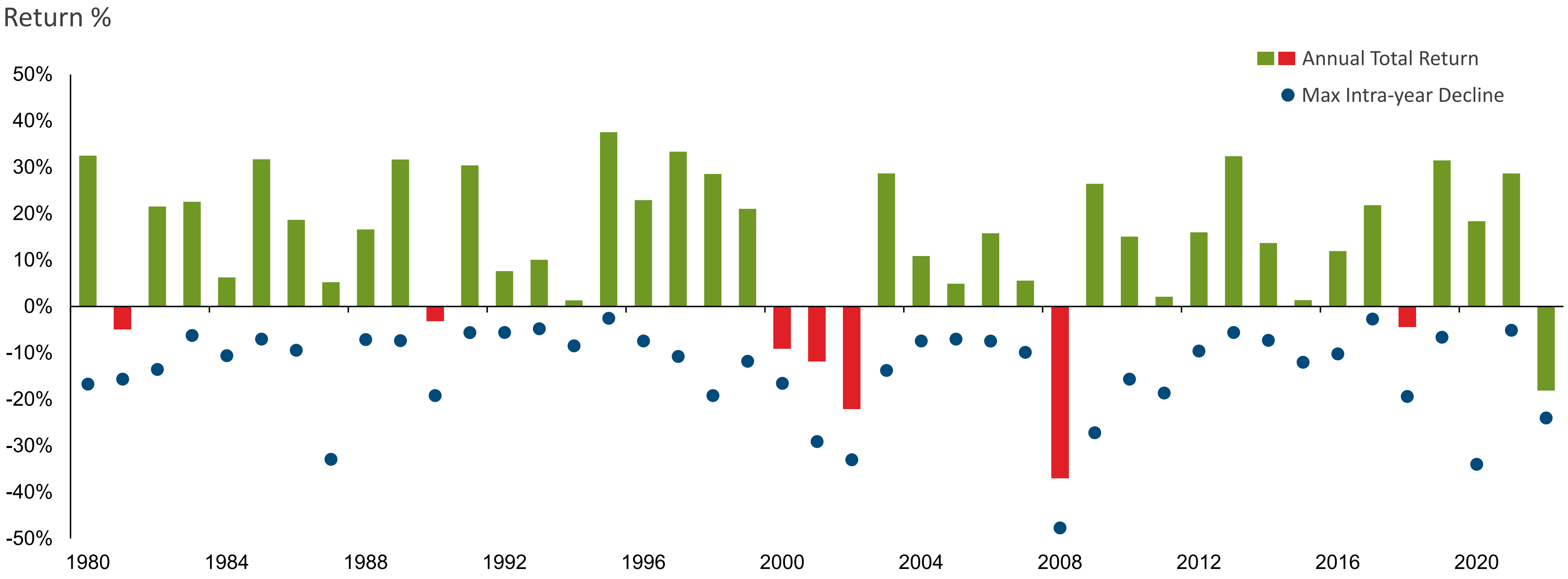
This illustration is hypothetical purposed only. Investing in this manner involves risk, including the risk of loss, and will not ensure a profit.

This hypothetical illustration assumes the investor met the holding requirement for long-term capital gains tax rates (longer than one year), the gains were taxed at the current maximum federal rate of 23.8%, and the loss was not disallowed for tax purposes due to a wash sale, related party sale, or other reason. It does not take into account state or local taxes, fees, or expenses, or the net gain's potential impact on adjusted gross income, which could impact exemption and deduction phaseouts and eligibility for other tax benefits.

Potential tax savings are based on the following calculation: (Realized Long-Term Losses x Long-Term Tax Rate) + (Realized Short-Term Losses x Short-Term Tax Rate). A 3.8% Medicare surtax may be added to tax rates, if applicable to your situation. If an investor subject to the alternative minimum tax (AMT), the appropriate AMT tax rate may also be added to the calculation.

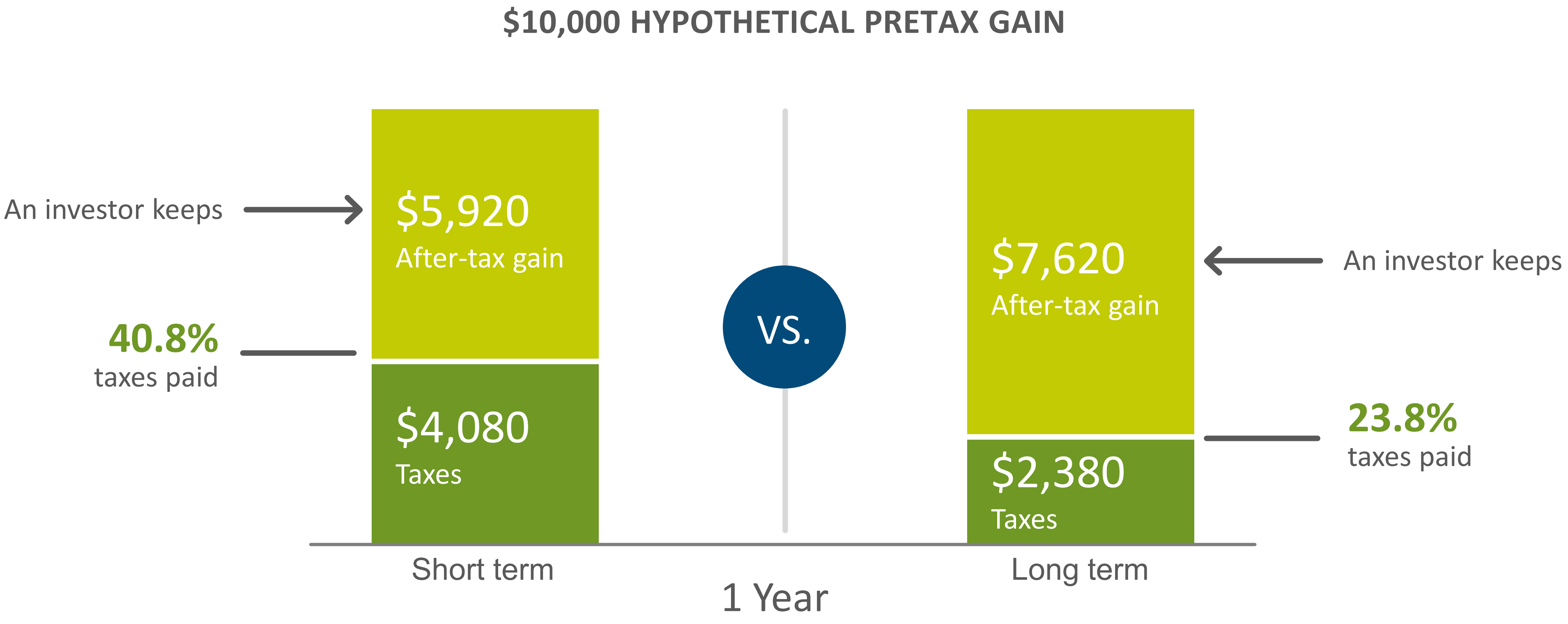
Tax-Loss Harvesting Requires an Active Strategy

S&P 500® INDEX ANNUAL TOTAL RETURNS & INTRA-YEAR DECLINES: 1980–2022



Past performance is no guarantee of future results. It is not possible to invest directly in an index. Returns are based on index price appreciation and dividends. Intra-year drops refer to the largest index drop from a peak to a trough during the year. For illustrative purposes only. See appendix for index definition. Data as of 12/31/22. Source: Standard & Poor's, Bloomberg Finance L.P.

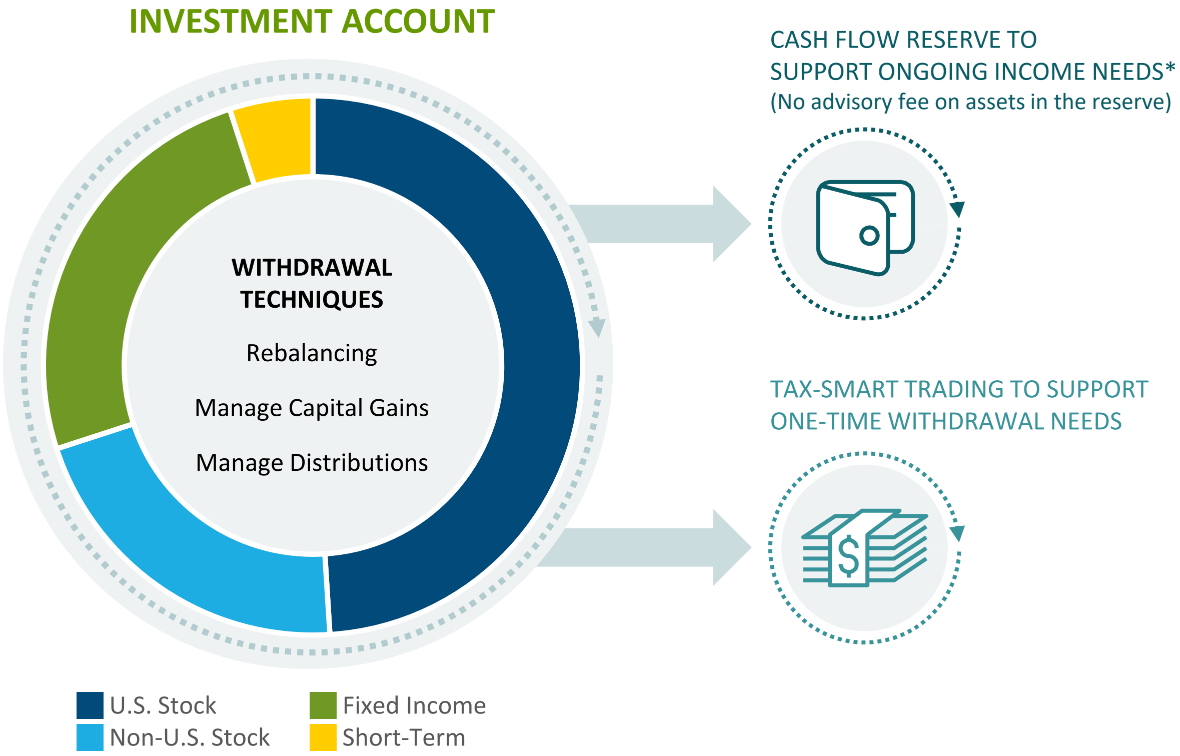
The Effect of Reducing Capital Gains Taxes



For this example, we assume the investor is subject to the top capital gains rate and is paying 40.8% on short-term gains and 23.8% on long-term gains. Tax savings will depend on an individual's actual capital gains and tax rate, which may be more or less than this example. This is a hypothetical example for illustrative purposes only, and is not intended to represent the performance of any investment.

*The taxes saved by waiting until a short-term investment gain (<1 year) becomes a long-term gain (> 1 year) and can be calculated as follows:
(gain $) x (short-term rate – long-term rate) = tax savings.

Tax-Smart Withdrawals designed to help you keep more of what you earn

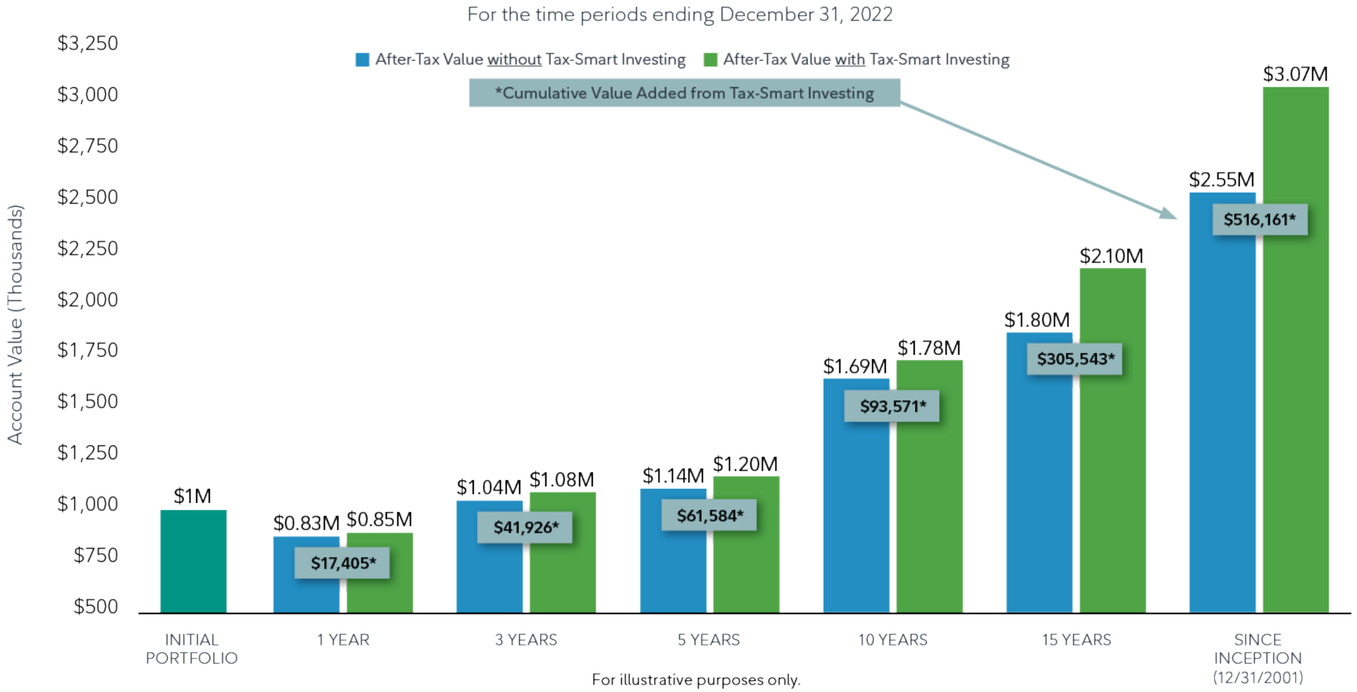


*Fidelity® Wealth Services does not provide investment management services over assets designated by the client to be held in the client cash flow reserve or "Short-Term Position" sleeve.

Please see Important Information – Appendix B, Slide 33 for more information on tax-smart investing techniques.

Improving after-tax returns may have a significant long-term impact

The chart below is designed to help demonstrate how tax-smart investing can help add value, which can compound over time. In this example, we look at a group of accounts, each one with asset allocations of 42% domestic stocks, 18% international stocks, 35% bonds and 5% short-term investments. **Each set of bars represents the after-tax value of a $1 million initial investment at the end of that period, with and without tax-smart investing applied.** The difference between the two bars in each case represents the additional value created by these techniques, based on our methodology and assumptions.



For illustrative purposes only.

Average Annual Returns for Growth with Income Composite with Tax-Smart Investing† (Period Ending December 31, 2022)						
	1 year	3 years	5 years	10 years	15 years	Since Inception
Pre-Tax	–16.05%	2.35%	3.68%	6.02%	4.62%	5.11%
After-Tax	–14.83%	2.70%	3.81%	5.96%	5.08%	5.48%

For informational purposes only. Returns for individual clients will vary. Each bar represents the after-tax value from non–tax-smart and tax-smart investing techniques at various starting dates, assuming an initial account value of $1 million. The graph is based on the performance of a composite of accounts managed using the following strategy characteristics: Growth with Income asset allocation using tax-smart investing techniques (but not household tax-smart strategies), the total return investment approach, blended investment universe, and investing in municipal securities, and includes accounts that do and do not use separately managed account sleeves ("SMAs"). **Please be aware that the value of tax-smart investing techniques would be different, perhaps significantly, for an account that is not managed using the same configuration of strategy characteristics as the composites shown above.** The Growth with Income asset allocation, total return investment approach, and blended investment universe were chosen because they are the most commonly used asset allocation, investment approach, and universe in the program. Please speak to your Fidelity representative for information about the performance of other strategy characteristics available through the program. Please see Appendix B for additional important information.

Creating a More Efficient Investing Strategy

Next Steps

Continue the learning journey online

Read this Fidelity *Viewpoints* article:

- How to Invest Tax Efficiently

Attend another seminar:

- Charitable Giving: How to Build Your Impact
- Establishing and Maintaining Your Estate Plan
- Quarterly Market Update

How Fidelity Can Help

Meet with a UC-dedicated Fidelity Workplace Financial Consultant

Scan here

Virtually or by phone at no cost

Understand how taxes impact your investments

Choose investments accounts, and strategies to help meet your goals

Set up check-ins regularly

Important Information: Appendix A

Important information for page 3: Taxes Can Significantly Reduce Returns data, Morningstar, Inc., 2023.

Taxes Can Significantly Reduce Returns data, Morningstar, Inc., 2023. This example reflects a 97-year period from 1926 to 2022 and is based on the following data: stocks at 10.1%, stocks after taxes at 8.2%, bonds at 5.2%, and bonds after taxes at 2.9%.

Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Federal income tax is calculated using the historical marginal and capital gains tax rates for a single taxpayer earning $130,000 in 2020 dollars every year. This annual income is adjusted using the CPI in order to obtain the corresponding income level for each year. Income is taxed at the appropriate federal income tax rate as it occurs. When realized, capital gains are calculated assuming the appropriate capital gains rates. The holding period for capital gains tax calculation is assumed to be five years for stocks, while government bonds are held until replaced in the index. No state income taxes are included. Stocks are represented by the Ibbotson® Large Company Stock Index. Government bonds are represented by the 20-year U.S. government bond. The data assumes reinvestment of income and does not account for transaction costs.

Important information for page 11: Tax-Advantaged Accounts. Can Help Your Money Grow

In the taxable account, it is assumed taxes incurred on the income are paid annually from the income itself, with the remainder reinvested. For the variable annuity (VA), it is assumed that all income — less the 0.25% annual annuity charge — is reinvested and it is assumed the investor liquidates the VA at the end of the time period and pays taxes on the gain out of the proceeds. If the assets in the VA were liquidated entirely in one year, its proceeds may increase the tax bracket to the marginal federal income tax rate of 40.8% (37.0% ordinary income tax plus 3.8% Medicare surtax), which would minimize and potentially eliminate any savings of the VA. To avoid this, the VA would need to be liquidated over the course of several years or annuitized, which would lengthen the deferral period.

State and local taxes, the 3.8% Medicare Surtax, inflation and fund and transaction fees were not taken into account in this example; if they were, performance for both the taxable account and the VA would be lower. This example also does not take into account capital loss carryforwards or other tax strategies that could be used to reduce taxes that could be incurred in a taxable account; to the extent they apply to your situation, the comparative advantage of a VA would be diminished. Lower tax rates on capital gains, dividends, and interest income would make the taxable investment more favorable. Changes in tax rates and tax treatment of investment earnings may impact the comparative results. Consider your current and anticipated investment horizon and income tax bracket when making an investment decision, as the illustration may not reflect these factors.

VAs are generally not suitable for investors with time horizons of less than 10 years, as, in most cases, there is little to no advantage over a taxable account for the first 10 years of the investment.

Important Information – Appendix B

***Information about how we calculate the value of tax-smart strategies.** We use a proprietary methodology to calculate an average annual net excess return to help measure the value of the tax-smart investing techniques. Our calculation uses asset-weighted composite pre-tax and after-tax performance information for Fidelity Wealth Services accounts managed using the strategy characteristics listed above. We compare this composite performance information with a reference basket of mutual funds and ETFs we use to construct a tax-smart account's after-tax benchmark. Each fund represents a primary asset class and is weighted in the same proportion as the primary asset class in the account's long-term asset allocation.

Average annual net excess return is calculated by subtracting pre-tax excess return from after-tax excess return. After-tax excess return is the amount by which the annualized after-tax investment return for the composite portfolio is either above or below the annualized after-tax benchmark return. Pre-tax excess return is the amount by which the annualized pre-tax investment return for the composite portfolio is either above or below the annualized pre-tax return of the reference basket of mutual funds and ETFs.

†Important information about performance returns. *Performance cited represents past performance. Past performance before and after taxes does not guarantee future results, and current performance may be lower or higher than the data quoted. Investment returns and principal will fluctuate with market and economic conditions, and you may have a gain or loss when you sell your assets. Your return may differ significantly from the returns reported.* The underlying investments held in a client's account may differ from those of the accounts included in the composite. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Before investing in any investment product, you should consider its investment objectives, risks, and expenses. This material has been prepared for informational purposes only and is not to be considered investment advice or a solicitation for investment. Information contained in this report is as of the period indicated and is subject to change. Please read the applicable advisory program's Form ADV Program Fundamentals, available from a Fidelity advisor or at Fidelity.com/information.

Information about the calculation of account and composite returns. *Returns for periods of one year or less in duration are reported cumulative. Returns for periods greater than one year may be reported on either a cumulative or average annual basis. Calendar year returns reflect the cumulative rates of return for the 12-month period from January 1 to December 31, inclusively, of the year indicated.* Reported rates of return use a time-weighted calculation, which vastly reduces the impact of cash flows. Returns shown assume reinvestment of interest, dividends, and capital gains distributions. Assets valued in U.S. dollars. Performance for accounts managed without tax-smart investing techniques begins when assets are available in the account. Performance for accounts managed with tax-smart investing techniques ("tax-smart accounts") begins after the investment manager reviews the account and deems it ready for investment in the chosen strategy.

Rates of return shown are net of the actual investment advisory fees paid for each account, and are net of any applicable fee credits, any underlying fund's own management fees and operating expenses, and, for certain Fidelity Wealth Services accounts, the fees attributable to SMAs. Performance information presented for an investment advisory program offered by Fidelity Personal Workplace Advisors LLC ("FPWA") includes performance for accounts enrolled in legacy programs previously offered and managed by FPWA's affiliate, Strategic Advisers LLC, for periods prior to July 2018. Fees for these legacy programs differ from current fee schedules for FPWA's programs, and fees for accounts enrolled in those legacy programs may have been higher or lower than FPWA's current fees. Fee structures and the services offered have changed over time. Please consult a Fidelity financial advisor or the applicable investment advisory program's current Program Fundamentals for current fee information. Additional information about our methodology for calculating pre- and after-tax performance return information is available at Fidelity.com/information in a document titled "About Performance."

Assumptions used in calculating after-tax returns. *After-tax rate of return measures the performance of an account, taking into consideration the impact of a client's U.S. federal income taxes, based on the activity in the account. Strategic Advisers does not actively manage for alternative minimum taxes; state or local taxes; foreign taxes on non-U.S. investments; federal tax rules applicable to entities; or estate, gift, or generation-skipping transfer taxes. Strategic Advisers relies on information provided by clients in an effort to provide tax-sensitive investment management and does not offer tax advice. Any realized short-term or long-term capital gain or loss retains its short- or long-term characteristics in the after-tax calculation. The gain/loss for any account is applied in the month incurred, and there is no carryforward.* We assume that taxes are paid from outside the account. Taxes are recognized in the month in which they are incurred. This may inflate the value of some short-term losses if they are offset by long-term gains in subsequent months. After-tax returns do not take into account the tax consequences associated with income accrual, deductions with respect to debt obligations held in client accounts, or federal income tax limitations on capital losses. Withdrawals from client accounts during the performance period result in adjustments to take into account unrealized capital gains across all securities in such accounts, as well as the actual capital gains realized on the securities. Adjustments for reclassification of dividends from nonqualified to qualified status that occur in January of the subsequent year are reflected in the prior December monthly returns. We assume that a client reclaims in full any excess foreign tax withheld and is able to take a U.S. foreign tax credit in an amount equal to any foreign taxes paid, which increases an account's after-tax performance; the amount of the increase will depend on the total mix of foreign securities held and their applicable foreign tax rates as well as the amount of distributions from those securities.

Important Information – Appendix B

We assume that losses are used to offset gains realized outside the account in the same month, and we add the imputed tax benefit of such a net loss to that month's return. This can inflate the value of the losses to the extent that there are no items outside the account against which they can be applied, and after-tax returns may exceed pre-tax returns as a result of an imputed tax benefit received upon realization of tax losses. Our after-tax performance calculation methodology uses the full value of harvested tax losses without regard to any future taxes that would be owed on a subsequent sale of any new investment purchased following the harvesting of a tax loss. That assumption may not be appropriate in all client situations but is appropriate where (1) the new investment is donated (and not sold) by the client as part of a charitable gift, (2) the client passes away and leaves the investment to heirs, (3) the client's long-term capital gains rate is 0% when they start withdrawing assets and realizing gains, (4) harvested losses exceed the amount of gains for the life of the account, or (5) where the proceeds from the sale of the original investment sold to harvest the loss are not reinvested. It is important to understand that the value of tax-loss harvesting for any particular client can only be determined by fully examining a client's investment and tax decisions for the life the account and the client, which our methodology does not attempt to do. Clients and potential clients should speak with their tax advisors for more information about how our tax-loss harvesting approach could provide value under their specific circumstances.

Information about composite returns. The rates of return featured for accounts managed to a long-term asset allocation represent a composite of accounts managed with the same long-term asset allocation, investment approach and investment universe as applicable; rates of return featured for accounts managed with a single asset class strategy represent a composite of accounts managed to the applicable strategy. Accounts included in the composite utilize a time-weighted calculation, which vastly reduces the impact of cash flows. Composites are asset-weighted. An asset-weighted methodology takes into account the differing sizes of client accounts (i.e. considers accounts proportionately). Larger accounts may, by percentage, pay lower investment advisory fees than smaller accounts, thereby decreasing the investment advisory fee applicable to the composite and increasing the composite's net-of-fee performance. For tax-smart accounts in Fidelity Wealth Services, composite results are based on the returns of the managed portion of the accounts; assets in a liquidity sleeve are excluded from composite performance.

Composites set minimum eligibility criteria for inclusion. Accounts with less than one full calendar month of returns and accounts subject to significant investment restrictions are excluded from composites. Accounts with a do-not-trade restriction are removed from the composite once the restriction has been applied to the account for thirty days. For periods prior to October 1, 2022, composite inclusion required a minimum investment level that reflected product-relative investment requirements. Effective October 1, 2022, product composites will reflect all accounts for which we produce a rate of return and that meet the aforementioned criteria. Non-fee paying accounts, if included in composite, will increase the net-of-fee performance. Certain products, like Fidelity Go, offer investment services where accounts under a certain asset level do not incur investment advisory fees. Employees do not incur investment advisory fees for certain products.

Information about after-tax composite benchmarks. Return information for an after-tax benchmark represents an asset-weighted composite of clients' individual after-tax benchmark returns. Each client's personal after-tax benchmark is composed of mutual funds and ETFs (index funds where available) in the same asset class percentages as the client's investment strategy. The after-tax benchmark uses mutual funds and ETFs as investable alternatives to market indexes in order to provide a benchmark that takes into account the associated tax consequences of these investable alternatives. The after-tax benchmark returns implicitly take into account the net expense ratio of their component mutual funds because mutual funds report performance net of their expense. They assume reinvestment of dividends and capital gains, if applicable. The after-tax benchmark also takes into consideration the tax impact of rebalancing the benchmark portfolio, assuming the same tax rates as are applicable to each client's account, as well as an adjustment for the level of unrealized gains in each account. The after-tax composite benchmark return is calculated assuming the use of the "average cost-basis method" for calculating the tax basis of mutual fund shares.

Additional Information. *Changes in laws and regulations may have a material impact on pre- and/or after-tax investment results. Strategic Advisers LLC relies on information provided by clients in an effort to provide tax-smart investing techniques.* Strategic Advisers LLC can make no guarantees as to the effectiveness of the tax-smart investing techniques applied in serving to reduce or minimize a client's overall tax liabilities or as to the tax results that may be generated by a given transaction. Neither FPWA nor Strategic Advisers LLC provides tax or legal advice. Please consult your tax or legal professional for additional guidance. For more information about FPWA, Strategic Advisers LLC, or FPWA's advisory offerings, including information about fees and investment risks, please visit our website at Fidelity.com.

The information contained herein includes information obtained from sources believed to be reliable, but we do not warrant or guarantee the timeliness or accuracy of the information as it has not been independently verified. It is made available on an "as is" basis without warranty.

Tax-smart (i.e., tax-sensitive) investing techniques, including tax-loss harvesting, are applied in managing certain taxable accounts on a limited basis, at the discretion of the portfolio manager, primarily with respect to determining when assets in a client's account should be bought or sold. Assets contributed may be sold for a taxable gain or loss at any time. There are no guarantees as to the effectiveness of the tax-smart investing techniques applied in serving to reduce or minimize a client's overall tax liabilities, or as to the tax results that may be generated by a given transaction.

Important Information

Investing involves risk, including risk of loss.

Diversification and asset allocation do not ensure a profit or guarantee against a loss.

Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. Generally, among asset classes, stocks are more volatile than bonds or short-term instruments. Government bonds and corporate bonds have more moderate short-term price fluctuations than stocks but provide lower potential long-term returns. U.S. Treasury bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate. Although bonds generally present less short-term risk and volatility than stocks, bonds do entail interest rate risk (as interest rates rise, bond prices usually fall, and vice versa), issuer credit risk, and the risk of default, or the risk that an issuer will be unable to make income or principal payments. The effect of interest rate changes is usually more pronounced for longer-term securities. Additionally, bonds and short-term investments entail greater inflation risk, or the risk that the return of an investment will not keep up with increases in the prices of goods and services, than stocks.

The municipal market can be adversely affected by tax, legislative, or political changes, and by the financial condition of the issuers of municipal securities. Investing in municipal bonds for the purpose of generating tax-exempt income may not be appropriate for investors in all tax brackets or for all account types. Tax laws are subject to change, and the preferential tax treatment of municipal bond interest income may be revoked or phased out for investors at certain income levels. You should consult your tax advisor regarding your specific situation.

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S&P 500® Index is a market capitalization–weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent US equity performance.

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