

2024 Tax Loss Harvesting Guide

Start early and turn losses into tax savings

Exchange traded funds (ETFs) and mutual funds can be effective tools to help investors reduce their tax bills. As the year end approaches, we provide trade ideas to help clients generate tax savings from underperforming investments.

Overview

- What is Tax Loss Harvesting?
- Beware of “Superficial Losses”
- Important Planning Considerations for 2024
- Important Dates to Remember
- Tax-Loss harvesting example

What is tax-loss harvesting?

- By disposing of securities with unrealized losses, investors can reduce the taxes they would otherwise owe in respect of capital gains that they realized on the sale of other securities.
- To maintain market exposure, the proceeds from the sale of these securities can be reinvested in different securities that provide exposures similar to those of the securities that were sold.
- Any net capital loss for the current year may be carried back for up to three years, to reduce net capital gains realized in those years, or carried forward to offset capital gains in future years.
- The ability to recognize a capital loss for tax purposes may be restricted in certain circumstances, including where the (re)acquired security is identical to the security that was sold at a loss. Investors should not repurchase identical securities within 30 days of the loss sale. Investors should consult their own tax advisors to ensure that these “superficial loss” restrictions do not apply.
- In addition to common shares, tax-loss harvesting can also be applied to other financial instruments held on capital account, including bonds, preferred shares, ETFs, and mutual funds

Beware of “Superficial Losses”

- Where two securities are considered “identical property”, a capital loss on the sale of one followed by the purchase within 30 days of the other would be considered a “superficial loss” for tax purposes (provided the investor still owns the purchased security at the end of the 30-day period).
- Where the securities in question are ETFs or mutual funds, a best practice to avoid the application of this rule is to ensure the two securities do not track the same index.

Important Planning Considerations for 2024

As a result of changes in the capital gains inclusion rate effective June 25, 2024, the calculation of net capital gains/losses is now considerably more nuanced. Specifically, as further outlined in our publication *Consider Tax-Loss Selling in Your Year-End Planning*, separate calculations will be required to differentiate the net capital gains/losses realized before and after June 25, 2024. Although most individual investors should not be affected, these complexities could impact the implementation of a tax-loss selling strategy – particularly for individuals with net capital gains exceeding \$250,000 in 2024, and for any investors who are corporations or trusts.² Prior to implementing a tax-loss selling strategy, please consult with your tax advisor.

For more information:

[Consider Tax-Loss Selling in Your Year-End Planning](#)

The information contained herein is not, and should not be construed as, investment, tax or legal advice to any party. Professional advice should be obtained with respect to any circumstance.

Important dates to remember:

- **December 30, 2024** – Last day for Canadian and U.S. tax-loss selling (for instruments that settle on a T+1 basis).

Tax-Loss harvesting example:

- Realized capital gains from previous transactions or capital gains distributions can be offset by selling securities that are trading at a lower price than an investor's adjusted cost base³.
- The investor can then use the proceeds from the security that is sold to invest in a BMO ETF or Mutual Fund to maintain similar exposure.
- The tables below lists the tickers of stocks that may provide tax-loss harvesting opportunities, together with ETFs and Mutual Funds that provide exposure to that stock. Stocks are included based on year-to-date performance; however, for tax purposes, an investor's capital loss will be based on the difference between the proceeds of disposition and the adjusted cost base.

Tax Loss Equity Opportunities⁴

Canadian Equities

Ticker	Name	BMO ETF	Ticker	BMO Mutual Fund	Fund Code
MG	Magna	BMO S&P/TSX Capped Composite Index ETF	ZCN	BMO Canadian Equity ETF Fund	BM095144
AQN	Algonquin Power & Utilities Corp	BMO Equal Weight Utilities ETF	ZUT	-	-
NTR	Nutrien	BMO S&P/TSX Capped Composite Index ETF	ZCN	BMO Canadian Equity ETF Fund	BM095144
BCE	BCE Inc	BMO Canadian Dividend ETF	ZDV	-	-
RCLB	Rogers Communications	BMO Canadian Dividend ETF	ZDV	-	-
VRN	Veren	BMO S&P/TSX Capped Composite Index ETF	ZCN	BMO Canadian Equity ETF Fund	BM095144
TD	TD Bank	BMO Equal Weight Banks ETF	ZEB	BMO Canadian Banks ETF Fund	BM095262
NPI	Northland Power	BMO Equal Weight Utilities ETF	ZUT	-	-
T	Telus Corp	BMO Low Volatility Canadian Equity ETF	ZLB	BMO Low Volatility Canadian Equity ETF Fund	BM095772
LSPD	Lightspeed Commerce Inc	BMO S&P/TSX Capped Composite Index ETF	ZCN	BMO Canadian Equity ETF Fund	BM095144

Source: Bloomberg October 21, 2024. For illustrative purposes only.

 Do you want to get out of the equity market and park your cash for future investment opportunities? Consider **BMO Money Market Fund ETF Series (ZMMK)** or **BMO Money Market Fund – Series F (BM095142)** as a parking place, providing investors with liquidity and stability.

U.S. Equities

Ticker	Name	BMO ETF	Ticker	BMO Mutual Fund	Fund Code
INTC	Intel	BMO Nasdaq 100 Equity Index ETF	ZNQ	BMO Nasdaq 100 Equity ETF Fund	BM095120
DLTR	Dollar Tree	BMO Low Volatility US Equity ETF	ZLU	BMO Low Volatility U.S. Equity ETF Fund	BM095109
LULU	Lululemon	BMO MSCI USA High Quality Index ETF	ZUQ	-	-
EL	Estee Lauder	BMO S&P 500 Index ETF	ZSP	BMO U.S. Equity ETF Fund	BM095722
BA	Boeing	BMO S&P 500 Index ETF	ZSP	BMO U.S. Equity ETF Fund	BM095722
CVS	CVS Health	BMO Low Volatility US Equity ETF	ZLU	BMO Low Volatility U.S. Equity ETF Fund	BM095109
NKE	Nike	BMO S&P 500 Index ETF	ZSP	BMO U.S. Equity ETF Fund	BM095722
AGCO	AGCO	BMO S&P Mid Cap Index ETF	ZMID	-	-
ABDE	Adobe	BMO MSCI USA High Quality Index ETF	ZUQ	-	-
PFE	Pfizer	BMO US Dividend ETF	ZDY	-	-

Source: Bloomberg October 21, 2024. For illustrative purposes only.

Identify ETFs with significant holdings in stocks that you own with our latest [Stock Replacement ETF Tool](#)

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¹ Identical Property: The exact same security for fund.

² Source: BMO Private Wealth, [Consider Tax-Loss Selling in Your Year-End Planning](#), November 2024.

³ Adjusted Cost Base: Change in book value of an asset.

⁴ The listed ETFs/Mutual Fund provides exposure to the listed tax loss stock opportunity.

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Publication date: November 2024.