

Trade Idea: Tax-Loss Harvesting

Implementing a Tax Strategy as Year-End Approaches

What is tax-loss harvesting?

- Tax-loss harvesting is a year-end strategy investors could 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 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 23, 2016 – Last day for Canadian and U.S. tax-loss selling.

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
VRX	Valeant Pharmaceuticals International Inc.	-80.4%	BMO Equal Weight U.S. Health Care Hedged to CAD Index ETF	ZUH
CCO	Cameco Corp	-37.8%	BMO S&P/TSX Capped Composite Index ETF	ZCN
MEG	MEG Energy Corp	-29.3%	BMO S&P/TSX Equal Weight Oil & Gas Index ETF	ZEO
JE	Just Energy Group Inc	-27.9%	BMO Equal Weight Utilities Index ETF	ZUT
EMP/A	Empire Co Ltd	-26.0%	BMO Low Volatility Canadian Equity ETF	ZLB
BB	BlackBerry Ltd	-25.9%	BMO S&P/TSX Capped Composite Index ETF	ZCN
STN	Stantec Inc	-13.9%	BMO S&P/TSX Equal Weight Industrials Index ETF	ZIN
MDA	MacDonald Dettwiler & Associates Ltd	-8.3%	BMO S&P/TSX Equal Weight Industrials Index ETF	ZIN
AX-U	Artis Real Estate Investment Trust	-8.3%	BMO Equal Weight REITs Index ETF	ZRE

Source: Bloomberg (Price returns used from December 31, 2015 to October 28, 2016).



U.S. Equities

Ticker	Name	Gain/Loss	BMO ETF	ETF Ticker
AGN	Allergan plc	-31.7%	BMO Equal Weight U.S. Health Care Hedged to CAD Index ETF	ZUH
GILD	Gilead Sciences Inc	-27.0%	BMO Equal Weight U.S. Health Care Hedged to CAD Index ETF	ZUH
BMJ	Bristol-Myers Squibb Co	-25.9%	BMO Equal Weight U.S. Health Care Hedged to CAD Index ETF	ZUH
F	Ford Motor Co	-16.8%	BMO S&P 500 Index ETF	ZSP
NKE	NIKE Inc	-16.8%	BMO Dow Jones Industrial Average Hedged to CAD Index ETF	ZDJ
WFC	Wells Fargo & Co	-15.0%	BMO Equal Weight U.S. Banks Hedged to CAD Index ETF	ZUB
CVS	CVS Health Corp	-14.7%	BMO Low Volatility US Equity ETF	ZLU
ABT	Abbott Laboratories	-12.0%	BMO Equal Weight U.S. Health Care Hedged to CAD Index ETF	ZUH
LLY	Eli Lilly & Co	-11.5%	BMO Equal Weight U.S. Health Care Hedged to CAD Index ETF	ZUH
DIS	Walt Disney Co/The	-10.7%	BMO Dow Jones Industrial Average Hedged to CAD Index ETF	ZDJ
AMGN	Amgen Inc	-10.6%	BMO Equal Weight U.S. Health Care Hedged to CAD Index ETF	ZUH
KMB	Kimberly-Clark Corp	-10.0%	BMO Low Volatility US Equity ETF	ZLU
COST	Costco Wholesale Corp	-7.3%	BMO Low Volatility US Equity ETF	ZLU

Source: Bloomberg (Price returns used from December 31, 2015 to October 28, 2016).

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 in potentially converting them into a BMO ETF. By doing so, investors can realize losses in an individual security but remain invested in an asset class through a BMO ETF. For further details on the conversion please see links below or [contact your BMO ETF Specialist](#).
- For further details on preferred share conversions, please click [here](#).
- For further details on individual Canadian bond conversions, please click [here](#).
- For further details on converting broad Canadian fixed income ETFs into the BMO Aggregate Bond Index ETF (ZAG), please click [here](#).

For questions, please contact:

Client Services: 1-800-361-1392

For a full list of BMO's tax-loss harvesting Ideas please contact:

Kevin Prins

Vice-President & Director
of National Sales Effectiveness
BMO ETFs
Ontario
kevin.prins@bmo.com

Alain Desbiens

Vice-President
BMO ETFs
Eastern Canada
alain.desbiens@bmo.com

Mark Webster

Vice-President
BMO ETFs
Western Canada
mark.webster@bmo.com

Daniel Stanley

Vice-President
BMO ETFs
Ontario
daniel.stanley@bmo.com

Rob Butler

Vice-President
BMO ETFs
Western Canada
rob.butler@bmo.com

Justin Oliver

Vice-President
BMO ETFs
Institutional
justin2.oliver@bmo.com

BMO ETFs are managed and administered by BMO Asset Management Inc. an investment fund manager and portfolio manager and separate legal entity from the Bank of Montreal.

Commissions, management fees and expenses all may be associated with investments in exchange traded funds. Please read the prospectus before investing. The funds are not guaranteed, their value changes frequently and past performance may not be repeated. This summary is of general nature only and is not exhaustive of all possible income tax considerations. You should therefore consult your own tax advisor about your individual circumstances.

Information, opinions and statistical data contained in this report were obtained or derived from sources deemed to be reliable, but BMO Asset Management Inc. does not represent that any such information, opinion or statistical data is accurate or complete and they should not be relied upon as such. Particular investments and/or trading strategies should be evaluated relative to each individual's circumstances. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment.

S&P®, S&P 500® and S&P/TSX Capped Composite™ are registered trademarks of Standard & Poor's Financial Services LLC ("S&P") and "TSX" is a trademark of TSX, Inc. These trademarks have been licensed for use by S&P Dow Jones LLC and sublicensed to BMO Asset Management Inc. in connection with ZIN, ZEO, ZCN and ZSP (the "ETF"). The index or indices are products of S&P Dow Jones Indices LLC and have been licensed for use by BMO Asset Management Inc. in connection with the ETFs. The ETFs are not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC, S&P, TSX or their respective affiliates, and S&P Dow Jones Indices LLC, S&P, TSX and their respective affiliates make no representation regarding the advisability or investing in such ETFs.

The Dow Jones Industrial Average Index CAD Hedged and the Dow Jones US Large-Cap Banks Equal Weight Total Stock Market Index is a product of S&P Dow Jones Indices LLC and has been licensed for use by BMO Asset Management Inc. Dow Jones®

is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"), and has been licensed to S&P Dow Jones Indices LLC and sublicensed by BMO Asset Management Inc. in connection with ZDJ. ZDJ is not sponsored, endorsed, sold, or promoted by S&P Dow Jones Indices LLC, Dow Jones, or their respective affiliates, and S&P Dow Jones Indices LLC, Dow Jones, and their respective affiliates make no representation regarding the advisability of trading or investing in such a fund.

® "BMO (M-bar roundel symbol)" is registered trade-mark of Bank of Montreal, used under licence.