

Allocation, Location & Optimization (ALO): A Modern Framework for Portfolio Construction

Allocation: The Classic Building Block

Asset allocation is the cornerstone of investing. Diversifying across asset classes helps reduce risk while capturing returns in different market environments. A thoughtful allocation ensures that a portfolio is aligned with an investor's objectives, time horizon, and tolerance for volatility. But while allocation sets the foundation, it doesn't tell the full story of how investors can maximize after-tax wealth.

Location: Putting Assets in the Right Accounts

Asset location refers to placing investments in the most tax-advantaged accounts possible. Traditionally, fixed income investments were relegated to tax-deferred accounts like IRAs and 401(k)s. That's because the income they generate is taxed annually at ordinary income rates, creating a significant drag in taxable accounts.

This is where **Compoundr** changes the game. By converting income into deferred capital gains, Compoundr allows investors to hold fixed income in taxable accounts without the annual tax hit. This unlocks new flexibility in portfolio construction, enabling advisors to broaden the toolset for tax-sensitive clients.

Optimization: Choosing the Right Vehicles

The third pillar, optimization, is about selecting the most efficient investment vehicles to implement the allocation and location strategy. From mutual funds and separately managed accounts (SMAs) to ETFs and closed-end funds, the vehicle chosen has a major impact on after-tax outcomes. Fees, turnover, and structure all matter.

Compoundr enhances the optimization process by improving after-tax efficiency across vehicles. Whether implemented through ETFs or other wrappers, investors benefit from deferred taxation, compounding advantages, and greater control over when to realize taxable gains.

Bringing It All Together

ALO—Allocation, Location & Optimization—is a framework for maximizing after-tax wealth. Allocation sets the roadmap, location ensures assets are placed in the right accounts, and optimization fine-tunes the vehicles to deliver the most efficient outcomes. With innovative solutions like Compoundr, advisors can differentiate their approach and deliver superior after-tax, after-fee returns.

The Gain Changer

Compoundr doesn't just fit into the ALO framework—it elevates it. Whether you're an advisor building portfolios or an investor growing your wealth, Compoundr helps maximize what really counts: your after-tax returns.