

# Benefiting from Losses in ETFs



**T**ax-loss swaps don't offer you a best-of-both-worlds opportunity only in bonds. (See "28. Profit from trading pieces" on page 196 of the printed version of *Rich As A King*.) If you own ETFs (exchange traded funds), you can unload a losing position and buy a similar fund at the same time. The breadth of the ETF market and the competition among ETF creators means that you can likely find two ETFs that move similarly, but that are different enough that the IRS won't consider it a wash sale if you sell one and buy the other. Don't sell one company's S&P 500 index fund and buy another's, since the IRS would probably assert that the two are significantly similar securities regardless of the difference in names. However, in the case of the S&P 500 index, you can find several ETFs that also trade in the large-cap universe and, over a thirty-day period, will have substantially similar results. By making the tax-loss swap, you maintain your market exposure (which could be good or bad, depending on the market's movement) and utilize the loss to offset gains on your tax return. When making the decision about whether this approach will work for you, don't forget to take into account the trading costs. If commissions will eat up any tax savings, then skip it this round and plan to do a similar review next year.

