

Distributions from Mutual Funds

Watch Your December Statements.

Provided by DSA Financial Group

This time of year, you might glance at an account statement and see there has been an adjustment. But there may not be any cause for concern.

Many mutual funds in December pay shareholders capital gains distributions that they have accumulated throughout the year.¹

Typically, mutual fund companies start making estimates about distributions as early as November and most finalize the payment by mid-December.¹

It's important to remember that if your mutual fund is in a tax-deferred account—and you are reinvesting distributions—the potential distributions may be a non-event at this time. But you may owe taxes when you begin to sell your holdings.

On the other hand, if your mutual fund is in a taxable account, you may owe 2020 taxes on the distributions whether you reinvested the distribution or accepted payment.

Most of the larger mutual funds companies have posted information on their websites regarding year-end distributions. But the estimates can be confusing, so please contact your trusted financial professional, who may be able to provide some guidance.

Remember, this is for informational purposes only and is not a replacement for real-life advice. Mutual fund distributions may only be one part of your overall tax situation, so make sure to consult your tax, legal, or accounting professional before modifying your strategy.

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Citations

1. Morningstar.com, November 9, 2020