

WHEN LESS IS MORE

Tax efficiency with ETFs

Tax costs are an important part of total performance

For a taxable investor, capital gains represent an additional cost—not in the form of fees paid to the fund company, but in tax payments made to the IRS. While many focus on the expense ratio of a fund, in some cases, tax cost can have a bigger impact on overall returns.

Explicit costs

- Expense ratio
- Brokerage commission



Implicit costs

- Trading costs
- Performance vs. benchmark
- Taxes on distributions

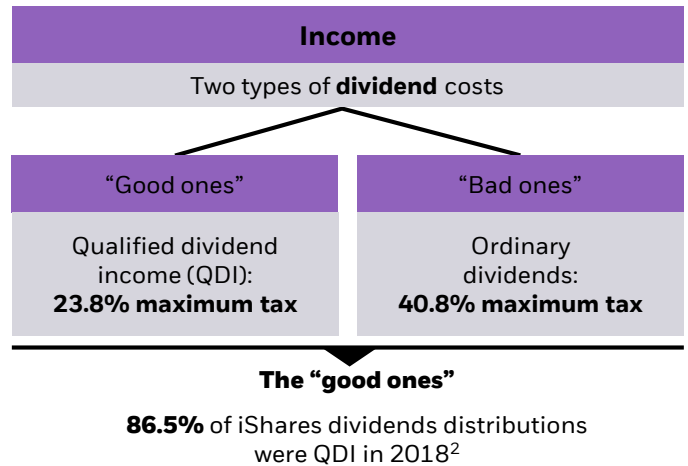
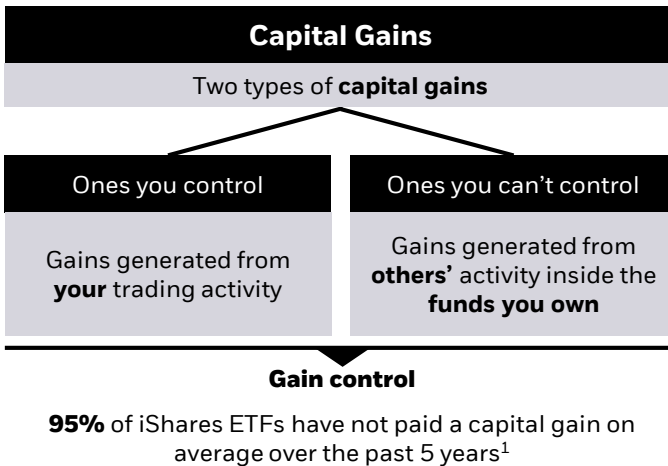


Total cost

When faced with a choice among ETFs in a category, consider all explicit and implicit costs.

Where do taxes come from?

iShares ETFs are built to maximize tax efficiency



The iShares advantage

Funds that paid capital gains distributions over the past 5 years³

Investors today are paying taxes up to **40.8%** on their short-term capital gains and **23.8%** on their long-term capital gains⁴

- 58%** of mutual funds
- 6%** of iShares ETFs
- 0%** of iShares style box ETFs

Please see the back for source information.

Know the difference

While iShares ETFs and mutual funds each hold a basket of securities and are obligated to distribute gains to shareholders, some key differences do exist.

Criteria	iShares index ETFs	Active mutual funds
Performance goal	Track a benchmark	Outperform a benchmark
Performance risk	<ul style="list-style-type: none"> Performance may be different from benchmark Holdings not altered during rising/falling markets 	<ul style="list-style-type: none"> May not meet performance goals May underperform due to manager's holdings selection
Buying/selling shares	Intraday on exchange	Once per day via fund company
Price to buy/sell	Current market price may differ from NAV, brokerage commissions	End-of-day NAV, Less fees
Holdings disclosures	Daily	Typically monthly

1 Source: Morningstar, as of 12/31/18. Average from 2014-2018. Number of funds includes all funds that inceptioned on or before 10/31 of each year, and excludes any funds that closed on or before 10/31 of each year. Past distributions not indicative of future distributions. Transactions in shares of ETFs will result in brokerage commissions and will generate tax consequences. All regulated investment companies are obliged to distribute portfolio gains to shareholders. Past distributions are not indicative of future results.

2 Source: BlackRock, as of 12/31/18 for all of 2018. Universe includes all iShares equity ETFs. Past distributions not indicative of future distributions. Transactions in shares of ETFs will result in brokerage commissions and will generate tax consequences. All regulated investment companies are obliged to distribute portfolio gains to shareholders.

3 Source: Morningstar, as of 6/30/19. Average number of mutual funds that paid a capital gain distribution each year over 5 years. Universe includes all U.S. open-ended mutual funds with at least a 5-year track record excluding alternative investments, commodities and money market funds, all share classes used. iShares ETFs include all U.S.-listed ETFs that inceptioned on or before 10/31 of each year and trade on U.S. exchanges. **Past distributions not indicative of future distribution.**

4 Source: IRS. A long-term capital gain is a gain from a sale of a security owned longer than 12 months. A short-term gain is from the sale of a security owned for 12 months or less. Short term capital gains tax rate is 40.8% which includes the impact of the highest marginal tax rate of 37% and the impact of a 3.8% ACA ("Obamacare") surcharge. Long term capital gains tax rate is 20%, with an additional 3.8% ACA surcharge for the top tax bracket. BlackRock does not provide tax advice. Please consult with a qualified professional for this type of advice.

Want to know more?

[iShares.com/tax](https://www.ishares.com/tax)

Carefully consider the Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses which may be obtained by visiting www.ishares.com or www.blackrock.com. Read the prospectus carefully before investing. Investing involves risk, including possible loss of principal.

Investment comparisons are for illustrative purposes only. To better understand the similarities and differences between investments, including investment objectives, risks, fees and expenses, it is important to read the products' prospectuses. Information on non-iShares ETF securities is provided strictly for illustrative purposes and should not be deemed an offer to sell or a solicitation of an offer to buy shares of any security other than the iShares Funds, that are described in this material.

No proprietary technology or asset allocation model is a guarantee against loss of principal. There can be no assurance that an investment strategy based on the Tax Estimator Tool will be successful. Transactions in shares of ETFs will result in brokerage commissions and will generate tax consequences. All regulated investment companies are obliged to distribute portfolio gains to shareholders. Certain mutual funds may also be tax efficient.

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