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# Taxable and Tax-Deferred Investing: A Tax-Arbitrage Approach [Get access >](#)

*The Review of Financial Studies*, Volume 21, Issue 5, September 2008, Pages 2173–2207, <https://doi.org/10.1093/rfs/hhn064>

**Published:** 27 June 2008

## Abstract

We analyze an intertemporal portfolio problem with both taxable and tax-deferred retirement accounts. Using a tax-arbitrage argument, we identify conditions under which the optimal location decision (where to place an asset) is *separable* from the allocation decision (how much to allocate to each asset). Investors place highly taxed assets in the tax-deferred account to maximize the tax benefit and adjust their taxable portfolios to achieve the optimal risk exposure. We show that the two-account problem can be reduced to a taxable-account-only problem. The results are robust to capital gains tax deferrals, consumption and contribution decisions, and stochastic tax rates.

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