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Tax-Motivated Trading by Individual Investors

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Article Information

Abstract

We analyze stock trades made by individuals holding stock in both taxable and tax-deferred accounts. By comparing trades across these two types of accounts, we uncover a capital gains lock-in effect in taxable accounts. The lock-in effect is more pronounced for large stock transactions and for stocks held for at least 12 months. Over shorter horizons, the disposition effect outweighs the lock-in effect. Comparison

of loss realizations in taxable and tax-deferred accounts yields evidence of tax-loss

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G11 Portfolio Choice; Investment Decisions

H24 Personal Income and Other Nonbusiness Taxes and Subsidies; includes inheritance and gift taxes

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