



DON'T TAX YOURSELF

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How Can I Have Capital Gains Tax When My Mutual Fund Lost Money?

BY SCOTT C. CASHMAN • JANUARY 10, 2023

Many mutual fund investors have seen their mutual fund investments drop 30% or more in 2022. The Fidelity Growth Company Fund (FDGRX) is down 33.78% for 2022. The Vanguard US Growth Fund Investor (VWUSX) is down 39.64%. Popular Fidelity Contrafund, with over \$80 billion in assets, is down by over 28%.

To add insult to injury, many of [these investors will also have to pay taxes on large capital gain distributions](#) made by some funds in 2022.

The [tax law requires mutual funds to distribute income and net capital gain](#) to the investor or the investor's mutual fund account.

Many funds began 2022 with holdings that had greatly appreciated from the decade long bull market.

Fidelity Contrafund paid a capital gain dividend of \$1.143 on December 9, 2022, which represents 8.48% of the net asset value of the fund. So, in addition to a one-year decline in value of 28%, an investor in Contrafund will be paying taxes on an 8.48% capital gain dividend.

There are many fund families that made [large capital gain distributions](#) in 2022. For many mutual investors who have seen their shares decline in value, this will be an unpleasant surprise.

