



Market Waypoint | *Is Your ETF Dividend Income Qualified?*

One commonly overlooked element of investment tax planning relates to what the IRS calls *qualified dividend income*, or QDI. Since 2003, certain “qualified” dividends are taxed at investors’ capital gains rates rather than ordinary income rates. In 2013, these capital gains rates (0%-20%) are significantly lower than ordinary income rates (up to 39.6%), particularly for high-earners.

The requirements for a dividend to get this coveted “qualified” status are complex. More important than your understanding of the details are the broader implications. Firms domiciled in the U.S. (or in a place with a U.S. tax treaty) who pay dividends on stock held for at least 61 days prior to the ex-dividend date will generally get “qualified” status. For conversation purposes, that means most U.S. stocks and some international stocks, which are being held long-term.

When choosing investments in ETFs, CEFs, and mutual funds, it is particularly important to review the investments history in producing qualified dividends. For example, while some S&P 500 ETF funds produce 100% qualified dividends, some Russell 2000 funds produce only 70% qualified dividends. That means you could be paying your higher ordinary income tax rates on 30% of the dividends you receive from the Russell 2000 fund. This problem is often encountered when selecting international and emerging market funds, and so they should be analyzed with special scrutiny.

Every custodian’s platform handles QDI accounting a little differently. It’s helpful to know your custodian’s process. At Fidelity Investments, dividends will be journaled by default to “non-qualified” until the fund or company sends confirmation of its qualified status. That makes it important to review these details when you are preparing your tax returns, but not before—that would be a waste of your time since some dividends will be re-categorized at year end. While rare, it can happen that dividends that should be qualified are not properly accounted for. As the taxpayer, you should make this final review yourself or ask your advisor to make that review for you. If you are seeing significant non-qualified dividends on your 1099-DIV, your strategy likely needs adjustment.

In short, investors need to be mindful of dividend tax treatment both at the time of investment acquisition and during annual tax filing. That awareness will reward you with more efficient fund selection decisions, and better choices as to which accounts will house particular investments. Dividends on investments held in 401ks and IRA’s are tax-deferred, so those accounts can be helpful when working with non-qualified dividends.

Investment decision making involves factors that are fundamentally unknowable. That makes it doubly important to focus attention on what is knowable—like your QDI situation.

For reference, attached below is 2012 QDI data for BlackRock’s popular iShares line of ETFs.

© 2013 | Sankala Group LLC | Last Updated: August 21, 2013

This communication should not be considered by any client or prospective client as a solicitation or recommendation to effect, or attempt to effect any transactions in securities. Any direct communication by Sankala Group LLC with a client or prospective client will be carried out by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. Sankala Group LLC does not make any claims or warranties as to the accuracy, timeliness, suitability, completeness, or relevance of any information presented in this communication, or by any unaffiliated third party. All such information is provided solely for illustrative purposes. Different types of investments involve various degrees of risk, and there can be no assurance that the performance of any specific investment or investment strategy, including those undertaken or recommended by Sankala Group LLC will be profitable or equal any historical performance. All investments carry some risk of partial or complete capital loss. No client or prospective client should assume that this communication serves as a substitute for personalized advice from Sankala Group LLC or from another investment professional. Sankala Group LLC is not an attorney or an accountant, and no portion of the communication should be interpreted as legal, accounting or tax advice. As a condition of receiving this communication, each client and prospective client agrees to release and holds harmless Sankala Group LLC and its officers, employees and agents from any and all adverse outcomes resulting from actions which are independent of receipt of personalized individual advice from Sankala Group LLC.

2012 QDI Summary

Overview

The Jobs and Growth Tax Relief Reconciliation Act of 2003, as extended, reduces tax rates on "qualified dividend income" (QDI) from common stock, certain preferred stock, and certain qualified foreign corporation stock subject to holding period and other requirements. Interest from bonds and other fixed-income instruments is not treated as qualifying income. Regulated Investment Companies, such as iShares ETFs, may designate the eligible portion of their dividends paid as QDI. The table below summarizes the percentage of calendar year dividends paid by iShares ETFs that represent QDI. Actual QDI amounts to be used for tax reporting purposes is located in Box 1b of Form 1099-DIV.

Ticker	Fund	QDI*
AAIT	iShares MSCI All Country Asia Information Technology Index Fund	50.84%
AAXJ	iShares MSCI All Country Asia ex Japan Index Fund	59.06%
ACWI	iShares MSCI ACWI Index Fund	100.00%
ACWV	iShares MSCI All Country World Minimum Volatility Index Fund	71.44%
ACWX	iShares MSCI ACWI ex US Index Fund	94.25%
AIA	iShares S&P Asia 50 Index Fund	52.91%
AOA	iShares S&P Aggressive Allocation Fund	65.67%
AOK	iShares S&P Conservative Allocation Fund	27.07%
AOM	iShares S&P Moderate Allocation Fund	37.96%
AOR	iShares S&P Growth Allocation Fund	49.09%
AXDI	iShares MSCI ACWI ex US Consumer Discretionary Sector Index Fund	97.34%
AXEN	iShares MSCI ACWI ex US Energy Sector Index Fund	100.00%
AXFN	iShares MSCI ACWI ex US Financials Sector Index Fund	86.23%
AXHE	iShares MSCI ACWI ex US Health Care Sector Index Fund	100.00%
AXID	iShares MSCI ACWI ex US Industrials Sector Index Fund	100.00%
AXIT	iShares MSCI ACWI ex US Information Technology Sector Index Fund	100.00%
AXJS	iShares MSCI All Country Asia ex Japan Small Cap Index Fund	14.70%
AXMT	iShares MSCI ACWI ex US Materials Sector Index Fund	96.58%
AXSL	iShares MSCI ACWI ex US Consumer Staples Sector Index Fund	100.00%
AXTE	iShares MSCI ACWI ex US Telecommunication Services Sector Index Fund	100.00%
AXUT	iShares MSCI ACWI ex US Utilities Sector Index Fund	100.00%
BKF	iShares MSCI BRIC Index Fund	77.64%
DSI	iShares MSCI KLD 400 Social Index Fund	100.00%
DVY	iShares Dow Jones Select Dividend Index Fund	100.00%
DVYA	iShares Asia/Pacific Dividend 30 Index Fund	65.62%
DVYE	iShares Emerging Markets Dividend Index Fund	50.13%
ECH	iShares MSCI Chile Investable Market Index Fund	0.00%
ECNS	iShares MSCI China Small Cap Index Fund	19.50%
EDEN	iShares MSCI Denmark Capped Investable Market Index Fund	100.00%
EEM	iShares MSCI Emerging Markets Index Fund	77.33%

EEMA	iShares MSCI Emerging Markets Asia Index Fund	69.37%
EEME	iShares MSCI Emerging Markets EMEA Index Fund	100.00%
EEML	iShares MSCI Emerging Markets Latin America Index Fund	24.52%
EEMS	iShares MSCI Emerging Markets Small Cap Index Fund	34.76%
EEMV	iShares MSCI Emerging Markets Minimum Volatility Index Fund	57.31%
EFA	iShares MSCI EAFE Index Fund	99.21%
EFAV	iShares MSCI EAFE Minimum Volatility Index Fund	68.96%
EFG	iShares MSCI EAFE Growth Index Fund	100.00%
EFNL	iShares MSCI Finland Capped Investable Market Index Fund	100.00%
EFV	iShares MSCI EAFE Value Index Fund	98.03%
EGRW	iShares MSCI Emerging Markets Growth Index Fund	66.18%
EIDO	iShares MSCI Indonesia Investable Market Index Fund	100.00%
EIRL	iShares MSCI Ireland Capped Investable Market Index Fund	93.22%
EIS	iShares MSCI Israel Capped Investable Market Index Fund	87.71%
EMDI	iShares MSCI Emerging Markets Consumer Discretionary Sector Index Fund	96.84%
EMEY	iShares MSCI Emerging Markets Energy Capped Index Fund	100.00%
EMFN	iShares MSCI Emerging Markets Financials Sector Index Fund	58.57%
EMIF	iShares S&P Emerging Markets Infrastructure Index Fund	81.69%
EMMT	iShares MSCI Emerging Markets Materials Sector Index Fund	100.00%
ENOR	iShares MSCI Norway Capped Investable Market Index Fund	82.00%
ENZL	iShares MSCI New Zealand Investable Market Index Fund	80.14%
EPHE	iShares MSCI Philippines Investable Market Index Fund	100.00%
EPOL	iShares MSCI Poland Investable Market Index Fund	100.00%
EPP	iShares MSCI Pacific ex-Japan Index Fund	64.67%
EPU	iShares MSCI All Peru Capped Index Fund	51.26%
ERUS	iShares MSCI Russia Capped Index Fund	100.00%
ESR	iShares MSCI Emerging Markets Eastern Europe Index Fund	100.00%
EUFN	iShares MSCI Europe Financials Sector Index Fund	100.00%
EUSA	iShares MSCI USA Index Fund	100.00%
EVAL	iShares MSCI Emerging Markets Value Index Fund	73.94%
EWA	iShares MSCI Australia Index Fund	86.27%
EWAS	iShares MSCI Australia Small Cap Index Fund	62.95%
EWC	iShares MSCI Canada Index Fund	100.00%
EWCS	iShares MSCI Canada Small Cap Index Fund	86.83%
EWD	iShares MSCI Sweden Index Fund	100.00%
EWG	iShares MSCI Germany Index Fund	100.00%
EWGS	iShares MSCI Germany Small Cap Index Fund	73.32%
EWH	iShares MSCI Hong Kong Index Fund	0.00%
EWHS	iShares MSCI Hong Kong Small Cap Index Fund	0.00%
EWI	iShares MSCI Italy Index Fund	100.00%
EWJ	iShares MSCI Japan Index Fund	100.00%
EWK	iShares MSCI Belgium Capped Investable Market Index Fund ¹	100.00%
EWL	iShares MSCI Switzerland Index Fund	100.00%
EWM	iShares MSCI Malaysia Index Fund	0.00%

EWN	iShares MSCI Netherlands Investable Market Index Fund	100.00%
EWO	iShares MSCI Austria Investable Market Index Fund	87.75%
EWP	iShares MSCI Spain Index Fund	99.84%
EWQ	iShares MSCI France Index Fund	100.00%
EWS	iShares MSCI Singapore Index Fund	0.00%
EWSS	iShares MSCI Singapore Small Cap Index Fund	0.01%
EWT	iShares MSCI Taiwan Index Fund	0.00%
EWU	iShares MSCI United Kingdom Index Fund	100.00%
EWUS	iShares MSCI United Kingdom Small Cap Index Fund	69.06%
EWX	iShares MSCI Mexico Investable Market Index Fund	100.00%
EWY	iShares MSCI South Korea Index Fund	100.00%
EWZ	iShares MSCI Brazil Index Fund	2.48%
EWZS	iShares MSCI Brazil Small Cap Index Fund	0.00%
EXI	iShares S&P Global Industrials Sector Index Fund	100.00%
EZA	iShares MSCI South Africa Index Fund	91.62%
EZU	iShares MSCI EMU Index Fund	100.00%
FCHI	iShares FTSE China (HK Listed) Index Fund	100.00%
FEFN	iShares MSCI Far East Financials Sector Index Fund	42.18%
FILL	iShares MSCI Global Energy Producers Fund	100.00%
FM	iShares MSCI Frontier 100 Index Fund	0.00%
FNIO	iShares FTSE NAREIT Industrial/Office Capped Index Fund	0.72%
FTY	iShares FTSE NAREIT Real Estate 50 Index Fund	2.57%
FXI	iShares FTSE China 25 Index Fund	100.00%
HDV	iShares High Dividend Equity Fund	100.00%
IAI	iShares Dow Jones U.S. Broker-Dealers Index Fund	100.00%
IAK	iShares Dow Jones U.S. Insurance Index Fund	100.00%
IAT	iShares Dow Jones U.S. Regional Banks Index Fund	100.00%
IBB	iShares Nasdaq Biotechnology Index Fund	100.00%
ICF	iShares Cohen & Steers Realty Majors Index Fund	3.63%
ICLN	iShares S&P Global Clean Energy Index Fund	57.48%
IDU	iShares Dow Jones U.S. Utilities Sector Index Fund	100.00%
IDV	iShares Dow Jones International Select Dividend Index Fund	89.81%
IEFA	iShares Core MSCI EAFE ETF	100.00%
IEMG	iShares Core MSCI Emerging Markets ETF	100.00%
IEO	iShares Dow Jones U.S. Oil & Gas Exploration & Production Index Fund	100.00%
IEV	iShares S&P Europe 350 Index Fund	100.00%
IEZ	iShares Dow Jones U.S. Oil Equipment & Services Index Fund	100.00%
IFAS	iShares FTSE EPRA/NAREIT Developed Asia Index Fund	2.88%
IFEU	iShares FTSE EPRA/NAREIT Developed Europe Index Fund	92.08%
IFGL	iShares FTSE EPRA/NAREIT Developed Real Estate ex-U.S. Index Fund	16.08%
IFNA	iShares FTSE EPRA/NAREIT North America Index Fund	15.29%
IFSM	iShares FTSE Developed Small Cap ex-North America Index Fund	73.48%
IGE	iShares S&P North American Natural Resources Sector Index Fund	100.00%
IGF	iShares S&P Global Infrastructure Index Fund	92.70%

IGM	iShares S&P North American Technology Sector Index Fund	100.00%
IGN	iShares S&P North American Technology-Multimedia Networking Index Fund	100.00%
IGV	iShares S&P North American Technology-Software Index Fund	100.00%
IHE	iShares Dow Jones U.S. Pharmaceuticals Index Fund	100.00%
IHF	iShares Dow Jones U.S. Healthcare Providers Index Fund	100.00%
IHI	iShares Dow Jones U.S. Medical Devices Index Fund	100.00%
IJH	iShares Core S&P Mid-Cap ETF ²	86.57%
IJJ	iShares S&P MidCap 400 Value Index Fund	92.06%
IJK	iShares S&P MidCap 400 Growth Index Fund	84.84%
IJR	iShares Core S&P Small-Cap ETF ³	88.21%
IJS	iShares S&P SmallCap 600 Value Index Fund	92.73%
IJT	iShares S&P SmallCap 600 Growth Index Fund	88.52%
ILF	iShares S&P Latin America 40 Index Fund	97.41%
INDA	iShares MSCI India Index Fund	100.00%
INDY	iShares S&P India Nifty 50 Index Fund	100.00%
IOO	iShares S&P Global 100 Index Fund	100.00%
IPFF	iShares S&P International Preferred Stock Index Fund	99.57%
ITA	iShares Dow Jones U.S. Aerospace & Defense Index Fund	100.00%
ITB	iShares Dow Jones U.S. Home Construction Index Fund	100.00%
ITF	iShares S&P/TOPIX 150 Index Fund	100.00%
ITOT	iShares Core S&P Total U.S. Stock Market ETF ⁴	100.00%
IVE	iShares S&P 500 Value Index Fund	100.00%
IVV	iShares Core S&P 500 ETF ⁵	100.00%
IVW	iShares S&P 500 Growth Index Fund	100.00%
IWB	iShares Russell 1000 Index Fund	100.00%
IWC	iShares Russell Microcap® Index Fund	85.66%
IWD	iShares Russell 1000 Value Index Fund	100.00%
IWF	iShares Russell 1000 Growth Index Fund	100.00%
IWL	iShares Russell Top 200 Index Fund	100.00%
IWM	iShares Russell 2000 Index Fund	70.77%
IWN	iShares Russell 2000 Value Index Fund	75.83%
IWO	iShares Russell 2000 Growth Index Fund	77.52%
IWP	iShares Russell Midcap Growth Index Fund	100.00%
IWR	iShares Russell Midcap Index Fund	89.63%
IWS	iShares Russell Midcap Value Index Fund	83.03%
IWV	iShares Russell 3000 Index Fund	100.00%
IWW	iShares Russell 3000 Value Index Fund	100.00%
IWX	iShares Russell Top 200 Value Index Fund	100.00%
IWY	iShares Russell Top 200 Growth Index Fund	100.00%
IWZ	iShares Russell 3000 Growth Index Fund	100.00%
IXC	iShares S&P Global Energy Sector Index Fund	100.00%
IXG	iShares S&P Global Financials Sector Index Fund	96.96%
IXJ	iShares S&P Global Healthcare Sector Index Fund	100.00%

IXN	iShares S&P Global Technology Sector Index Fund	100.00%
IXP	iShares S&P Global Telecommunications Sector Index Fund	100.00%
IXUS	iShares Core MSCI Total International Stock ETF	80.75%
IYC	iShares Dow Jones U.S. Consumer Services Sector Index Fund	100.00%
IYE	iShares Dow Jones U.S. Energy Sector Index Fund	100.00%
IYF	iShares Dow Jones U.S. Financial Sector Index Fund	81.36%
IYG	iShares Dow Jones U.S. Financial Services Index Fund	100.00%
IYH	iShares Dow Jones U.S. Healthcare Sector Index Fund	100.00%
IYJ	iShares Dow Jones U.S. Industrial Sector Index Fund	100.00%
IYK	iShares Dow Jones U.S. Consumer Goods Sector Index Fund	100.00%
IYLD	iShares Morningstar Multi-Asset Income Index Fund	20.20%
IYM	iShares Dow Jones U.S. Basic Materials Sector Index Fund	100.00%
IYR	iShares Dow Jones U.S. Real Estate Index Fund	5.07%
IYT	iShares Dow Jones Transportation Average Index Fund	100.00%
IYW	iShares Dow Jones U.S. Technology Sector Index Fund	100.00%
IYY	iShares Dow Jones U.S. Index Fund	100.00%
IYZ	iShares Dow Jones U.S. Telecommunications Sector Index Fund	100.00%
JKD	iShares Morningstar Large Core Index Fund	100.00%
JKE	iShares Morningstar Large Growth Index Fund	100.00%
JKF	iShares Morningstar Large Value Index Fund	100.00%
JKG	iShares Morningstar Mid Core Index Fund	100.00%
JKH	iShares Morningstar Mid Growth Index Fund	77.32%
JKI	iShares Morningstar Mid Value Index Fund	100.00%
JKJ	iShares Morningstar Small Core Index Fund	85.75%
JKK	iShares Morningstar Small Growth Index Fund	72.70%
JKL	iShares Morningstar Small Value Index Fund	79.47%
JXI	iShares S&P Global Utilities Sector Index Fund	100.00%
KLD	iShares MSCI USA ESG Select Social Index Fund	100.00%
KXI	iShares S&P Global Consumer Staples Sector Index Fund	100.00%
MCHI	iShares MSCI China Index Fund	90.48%
MXI	iShares S&P Global Materials Sector Index Fund	100.00%
NUCL	iShares S&P Global Nuclear Energy Index Fund	100.00%
NY	iShares NYSE 100 Index Fund	100.00%
NYC	iShares NYSE Composite Index Fund	100.00%
OEF	iShares S&P 100 Index Fund	100.00%
PFF	iShares S&P U.S. Preferred Stock Index Fund	52.81%
PICK	iShares MSCI Global Select Metals & Mining Producers Fund	66.67%
REM	iShares FTSE NAREIT Mortgage Plus Capped Index Fund	0.96%
REZ	iShares FTSE NAREIT Residential Plus Capped Index Fund	0.05%
RING	iShares MSCI Global Gold Miners Fund	100.00%
RTL	iShares FTSE NAREIT Retail Capped Index Fund	8.06%
RXI	iShares S&P Global Consumer Discretionary Sector Index Fund	100.00%
SCJ	iShares MSCI Japan Small Cap Index Fund	89.79%
SCZ	iShares MSCI EAFE Small Cap Index Fund	72.07%

SLVP	iShares MSCI Global Silver Miners Fund	70.01%
SMIN	iShares MSCI India Small Cap Index Fund	100.00%
SOXX	iShares PHLX SOX Semiconductor Sector Index Fund	100.00%
TGR	iShares S&P Target Date Retirement Income Index Fund	25.36%
THD	iShares MSCI Thailand Investable Market Index Fund	100.00%
TOK	iShares MSCI Kokusai Index Fund	100.00%
TUR	iShares MSCI Turkey Investable Market Index Fund	100.00%
TZD	iShares S&P Target Date 2010 Index Fund	32.23%
TZE	iShares S&P Target Date 2015 Index Fund	41.81%
TZG	iShares S&P Target Date 2020 Index Fund	49.06%
TZI	iShares S&P Target Date 2025 Index Fund	54.88%
TZL	iShares S&P Target Date 2030 Index Fund	60.43%
TZO	iShares S&P Target Date 2035 Index Fund	66.27%
TZV	iShares S&P Target Date 2040 Index Fund	70.36%
TZW	iShares S&P Target Date 2045 Index Fund	78.18%
TZY	iShares S&P Target Date 2050 Index Fund	80.22%
URTH	iShares MSCI World Index Fund	99.18%
USMV	iShares MSCI USA Minimum Volatility Index Fund	81.85%
VEGI	iShares MSCI Global Agriculture Producers Fund	100.00%
WOOD	iShares S&P Global Timber & Forestry Index Fund	74.56%
WPS	iShares S&P Developed ex-U.S. Property Index Fund	19.64%

¹On 11/9/2012 the iShares MSCI Belgium Investable Market Index Fund changed its name to the iShares MSCI Belgium Capped Investable Market Index Fund.

²On 10/17/2012 the iShares S&P MidCap 400 Index Fund changed its name to the iShares Core S&P Mid-Cap ETF.

³On 10/17/2012 the iShares S&P Small Cap 600 Index Fund changed its name to the iShares Core S&P Small-Cap ETF.

⁴On 10/17/2012 the iShares S&P 1500 Index Fund changed its name to the iShares Core S&P Total U.S. Stock Market ETF and changed its ticker from ISI to ITOT.

⁵On 10/17/2012 the iShares S&P 500 Index Fund changed its name to the iShares Core S&P 500 ETF.

*Amounts shown represent the average QDI rate attributable to all dividends paid during the calendar year. The actual QDI rate for a specific ex-date may be different. Therefore, the actual QDI rates experienced by a shareholder may be different from the rates shown.

Carefully consider the iShares Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses, which may be obtained by calling 1-800-iShares (1-800-474-2737) or by visiting www.iShares.com. Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal.

The iShares Funds are distributed by BlackRock Investments, LLC (together with its affiliates, "BlackRock").

BlackRock does not provide tax advice. Please note that (i) any discussion of U.S. tax matters contained in this communication cannot be used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the promotion or marketing of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor.

The iShares Funds are not sponsored, endorsed, issued, sold or promoted by Cohen & Steers Capital Management, Inc., European Public Real Estate Association (“EPRA®”), FTSE International Limited (“FTSE”), JPMorgan Chase & Co., Markit Indices Limited, MSCI Inc., Morningstar, Inc., The NASDAQ OMX Group, Inc., National Association of Real Estate Investment Trusts (“NAREIT”), New York Stock Exchange, Inc., Russell Investment Group, S&P Dow Jones Indices LLC or Standard & Poor’s, nor are they sponsored, endorsed or issued by Barclays Capital Inc. None of these companies make any representation regarding the advisability of investing in the Funds. BlackRock is not affiliated with the companies listed above.

Neither FTSE nor NAREIT makes any warranty regarding the FTSE NAREIT Real Estate 50/Residential/Retail/Mortgage or Industrial/Office Index; all rights vest in NAREIT. Neither FTSE nor NAREIT makes any warranty regarding the FTSE EPRA/NAREIT Developed Real Estate ex-US/North America/Europe/Asia Index; all rights vest in FTSE, NAREIT and EPRA. All rights in the FTSE Developed Small Cap ex-North America Index vest in FTSE. “FTSE®” is a trademark jointly owned by the London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under license.

©2013 BlackRock. All rights reserved. iSHARES and BLACKROCK are registered trademarks of BlackRock. All other marks are the property of their respective owners. iS-8969-0113

*** Not FDIC Insured * No Bank Guarantee * May Lose Value**