Cost basis accounting: Frequently asked questions

Q: What is cost basis?
Cost basis is the portion of an account that represents the shareholder's investment in the fund.

The original cost basis of shares is determined by the amount you pay for them, including shares acquired through the reinvestment of dividends. When you sell shares in a taxable account, the cost basis of your shares is used to determine the gain or loss (if any) with respect to those shares.

Q: How is cost basis reported?

A: Putnam Investments, along with all mutual fund companies, is required to report cost basis to shareholders and the IRS on IRS Form 1099-B whenever shares of mutual funds purchased on or after January 1, 2012, are sold. This rule does not affect retirement accounts, 529 college savings plans, Coverdell education savings plans, and money market accounts.

Q: What do I need to do?

A: Putnam will use the Average Cost Basis accounting method as the default method for your account. Unless you would like to use a different cost basis accounting method, no action is required on your part.

Q: What is the Average Cost Basis accounting method?

A: Average Cost Basis is a common accounting method for valuing the cost of shares in a mutual fund account by averaging the effect of all transactions in the account. The cost per share is determined by dividing the aggregate cost amount by the total shares in the account. The basis of the shares redeemed is determined by multiplying the shares redeemed by the calculated average cost per share.

Shares acquired on or after January 1, 2012, are referred to as "covered shares." Shares acquired prior to January 1, 2012, are referred to as "uncovered shares." Putnam will continue to provide Average Cost Basis for uncovered shares (when available) to shareholders as a customer service.

Q: What other cost basis accounting methods are available?

A: In addition to the Average Cost method, the IRS allows the following methods for calculating cost basis:

First-in, first-out (FIFO) – Shares acquired first in the shareholder's account are the first shares depleted to determine the shareholder's cost basis, gain or loss, and holding period.

Last-in, first-out (LIFO) – Shares acquired last in the shareholder's account are the first shares depleted to determine the shareholder's cost basis, gain or loss, and holding period.

High-cost, first-out (HIFO) – Shares with the highest cost per share are the first shares depleted to determine the shareholder's cost basis, gain or loss, and holding period.

303476 10/16

Low-cost, first-out (LOFO) – Shares with the lowest cost per share are the first shares depleted to determine the shareholder's cost basis, gain or loss, and holding period.

Loss/Gain utilization – Evaluates losses and gains and strategically selects shares to deplete based on the loss/gain in conjunction with the holding period. The loss/gain utilization election method depletes shares with losses before shares with gains, consistent with the objective of minimizing taxes. For share lots that yield a loss, short-term share lots will be redeemed ahead of long-term share lots. For gains, long-term share lots will be redeemed ahead of short-term share lots.

Specific lot identification (SLID) – Allows the shareholder to choose the specific share lots that will be depleted when redeeming shares. A secondary standing order will be used for any redemption(s) where the shareholder cannot or does not provide a specific share lot selection.

Q: If I would like to elect a cost basis accounting method other than Average Cost, what do I need to do?

A: Shareholders who prefer to elect a method other than Average Cost can do so via the "My Accounts" section at putnam.com/individual. Alternatively, shareholders may download and complete a Cost Basis Election form and return it to Putnam. The Cost Basis election form is also available at putnam.com/costbasis.

For assistance in setting up online access or with further questions on cost basis, please contact a Putnam representative at 1-800-225-1581.

303476 10/16