SYM
FINANCIAL ADVISORS

Financial Planning for Executives:

A Study in Contrasts

All too often executives cling to the DIY approach to their finances that worked early in their career. It can be easy to underestimate ***just how much complexity*** has piled on to their financial picture year after year, and it can be even harder to understand the complexity of knowledge and carefully managed time required ***to successfully manage those changes.*** The wise executive sees the value in a holistic approach to their tax, legal, and investment decisions, and having a ***partner in those areas working on their behalf*** every day of the year.

Corporate executives are compensated accordingly for the advanced role they take on at a company.

Most executives have made different stops along their career journey, picking up stocks, bonuses, and other financial morsels along the way. Many find themselves still holding on to these residual assets and benefits from prior destinations as part of a complex web of financial assets.

This becomes an even bigger challenge for executives who have been managing their own finances through these changes. Executives are inherently go-getters and willing to tackle any task they face, ***but that doesn't mean they should.*** It goes without saying that an individual has vested interest in their own financial future, but truly successful executives realize the value in bringing on a trusted guide to help along the way.

Early in a career, keeping tabs on personal finances is like maintaining a bicycle. A couple of minor tweaks and things run smoothly. As that career advances though, it morphs into a custom-built automobile. Complexity can lead to time, time can lead to neglect, and ***neglect can lead to critical errors*** or frantic "time-outs" in an attempt to educate against these mistakes.

For anyone who makes the journey from "living comfortably" to high-net-worth, there comes a point when having comprehensive financial advice is worth the cost. The question becomes "when?"

Fellow executives and colleagues may talk about their advisor with each other, even subtly bragging about a maneuver they made to reduce taxes, hedge out a concentrated stock position, or free up cash flow to complete a home remodel.

They're much less likely, though, to discuss ***how they realized they needed a financial advisor*** in the first place—usually because it means they missed something. They sought out a financial specialist ***after a mistake was made,*** a benefits deadline was missed, or an opportunity to get a big tax break was skipped over in a rush to hit a payment deadline.

So how can executives put themselves ahead of the curve and avoid these mistakes? In order to answer that question, let's do a study in contrasts between a person who tries to keep juggling their retirement planning, wealth management, and tax preparation, and a person who forms a partnership with a fiduciary advisor.

The Parry *with the* Tax Man

The Juggler

Joe Juggler is approaching a higher tax bracket, and the numbers are about to get very real. He hasn't been staying on top of quarterly tax payments, either, so now he'll have to scramble at the end of the year to try and net out deductions without even having a clear sense of where things stand. He's not happy about that. The closing months of this year are going to be hectic enough as it is with some big sales in the pipeline, plus it's holiday and charitable giving season.

Joe just realized he's missed a window for selling off some company stock, too. And he forgot the withholding on his stock gift was done in a bracket well below his actual bracket. Maybe he caught things just in time, but he's pretty sure he didn't.

What about next year, too? ***Joe's compensation package is set to increase, but he's not sure of the tax breakpoints*** to be aware of, when all time windows for election run out, or even when to find the time to sort it all out.

Joe is overwhelmed.

The Savvy Partner

Calm Christine, though, is an executive with year-round financial and tax professionals in her corner. She isn't worried about any of it. She doesn't have to remember any dates or fumble to calculate quarterly payments. ***Her advisor knows all the fine print on her entire benefits package and income streams.*** Her tax advisor works side-by-side with her financial planner, balancing capital gains with deductions and making sure all the tax-efficient strategies are utilized.

Christine is relaxed and ready to take on any challenge that comes her way, ***knowing she's got a trusted guide*** that's keeping tabs on everything for her.

Food for Thought

In the recently passed **Inflation Reduction Act,** the IRS will see a funding increase of $80 billion over the next 10 years. Approximately $46 billion of it will be dedicated to beefing up tax enforcement. This will undoubtedly increase the number of audits on high-income earners and high-net-worth individuals.

Still wanting to juggle those balls next year? Most execs already use a tax preparer—but a CPA by himself isn't going to probe overarching asset pictures and long-term needs. They're going to take the annual figures provided to them and spit out a return, because that's their job, the full scope of their job. Nothing more.

Concentrated Stock *and* Stock Options:
Feeling Risky?

The Juggler

Joe Juggler loves his company and the lifestyle it's afforded him. The stock and options awards he's gotten are what every executive dreams about—the superchargers of the nest egg.

But Joe finds himself worrying about the singular investment dominating his portfolio. He wonders about the different cost basis lots that will need to be squared away at some point. He doesn't want to pay a huge tax bill now, so he lets things ride, but he wonders when the alarm sirens could sound.

Joe can't help but notice that when the whole market is falling, his company stock seems to go right along. ***What would happen to his monthly cash flow if his company stock had a sudden drawdown of 40%?*** Would he approach everything the same? Would he panic sell? Would he be itching to buy more—or kicking himself for not making sales last tax season?

Everyone conceptualizes risk and reward in their own way. But recent years have certainly shown that large drawdowns can happen fast. Joe is fortunate that markets have rebounded each time—but what if that drawdown happens smack dab in a major transition point in his life? He could be a few years from retirement when a surprise market move happens, but has he strategized recovery scenarios and made battle plans if it does?

(He has not.)

The Savvy Partner

Calm Christine just pulls out her phone and makes a call to her advisor when she receives a new options or stock award. She sets up a meeting, and since they already know her total financial picture, implementing the new information is seamless. They advise her on a specific amount of stock to sell to square up next quarter's tax payment, and they present her several options to de-risk her growing position in company stock.

Christine knows her advisor is only going to succeed when she succeeds herself—they've talked through her concentrated stock position for years and have a multi-stage plan in place, one that's integrated into her retirement planning.

The value of diversification is easy to understand intellectually, but many fail to put it into practice when left to their own devices. Bias can be a very sneaky creature—like a bias toward believing one's company's stock is bulletproof. It's not. There's no need to let a nest egg be cracked when that risk can be taken off the menu. Christine is glad she's learned that lesson the easy way.

Medium-Term Financial Events Add Skew *to Long-Term Goals*

Financial planning deals with three main categories of time and how an executive's money is able to work for them across all three phases.

Short-term:
Monthly expenditures and cash flows; savings into retirement and tax-efficient vehicles

Medium-term:
Children's education, healthcare needs, buying a second home, relocating or job transition

Long-term:
Retirement, philanthropic goals, estate planning

Medium-Term Financial Events Add Skew *to Long-Term Goals (cont.)*

Joe Juggler

Lines between these categories are blurred for Joe Juggler. ***He doesn't spend much time diving into the details of whether he's maxed out tax-advantaged accounts*** like 529 plans and taken the additional state tax deductions if eligible. He hasn't even considered the particulars of who would pay for his kid's education expenses. ***He's just assumed that his strong income and cash flow will help to sort these things out when the time comes.***

There's really no separation between medium- and long-term Joe—they both live in the nebulous zone of "the future." He can't quantify how life choices he makes now, or three to five years from now, will impact his long-term goals that are 20–25 years in the future. ***He knows his income will drop off steeply one day*** when he retires, but he just figures he'll be able to cobble together the life he has pictured for himself when it does.

The Savvy Partner

When Christine has her quarterly advisor meeting, they talk through recent developments, ***always framing near-term events against the backdrop of medium-term and long-term goals.*** She has been thinking about buying a vacation property, and her advisor talked through all the pros and cons of making that decision—they talked about current market dynamics, how much she will be able to actually utilize the house year-to-year, and what the total annual costs would be.

Christine was in the habit of thinking that if she had the cash flow, she should just pay cash for something like this vacation property. ***Her advisors walked her through the value of prudent debt and leveraging her high income to get the most favorable terms*** if she does buy that property. She's also considering a remodel to her primary residence, and her advisors helped her make sure she can keep her current long-term investment and savings plans intact through the remodel.

Food for Thought

When an executive is in their peak earnings years, it can be tempting to just make cash outlays for these things. After all, why take on new debt when it's not necessary, right? That thinking was prudent when just starting out in a career—**but with a complex income picture, it's actually short-sighted.**

Part of being a high-income earner is **understanding how to stay "cash rich" and utilize debt and leverage in an efficient way.** In the case of a home remodel for example, why outlay cash when the best possible terms on a cash-out refi of a home could be had? Take that annual income and invest it in ways to help secure a more comfortable retirement!

Making the Good into Great - *Philanthropic* Planning

Joe Juggler

Joe's intentions are noble—he likes to give back and is known to splash some money around when the holidays approach, giving to local charities and some larger ones as well. ***He usually just sells a chunk of company stock out of habit*** in the fourth quarter of the year and uses the cash to make some deductible donations. ***He's not super diligent about getting the right receipts for tax time***, though, and he's never thought about philanthropy in more than the last couple months of the year.

The Savvy Partner

Christine has the same noble intentions, but she sets up a plan for annual giving throughout the year. ***Her advisor explained*** that donor-advised funds allow her to budget out all of her giving at one time, and ***gain multiple tax benefits*** by assigning some of her stock into the fund rather than selling it and paying taxes twice. This helps with her de-risking strategy and makes her holiday period actually relaxing. She can sip hot cider with friends and family in December instead of scrambling to make stock decisions or worrying about her cash flow. ***Everything is taken care of*** weeks (or even months) earlier.

Food** for **Thought

One of the best perks of a strong income is giving back locally and around the world. **There's no reason to not marry philanthropic goals with tax-efficient planning**, though, all the way into and during retirement. When done right, philanthropic giving has a strategy in place early in the year—this **frees up valuable time** during the last months of the year, while also opening up a host of **tax savings.**

Using tax-efficient structures like donor-advised funds allow an executive to attack multiple financial planning battles at once:

- *Budget total charitable budget for the year*
- *De-risk a concentrated stock position by assigning appreciated company stock into the fund*
- *Obtain multiple tax benefits, allowing for even more giving without dipping into cash*

Estate Planning - The Wide, WIDE Angle Lens

Joe Juggler

Joe has no estate plan in place. He's actually not even sure what an estate plan entails, but it's on his to-do list. He had a will drafted up a few years ago, but since then his entire financial picture has changed. He can't remember if the beneficiaries between his life insurance, deferred compensation plan, retirement accounts, and investment accounts are aligned. ***Sometimes a random question that seems to pertain to estate planning runs through his mind*** throughout the day: "What would happen if…." or "How does it work when…". He occasionally will look up a legal question about his assets and estate, but his eyes quickly glaze over, ***overwhelmed with how specific and intricate everything is.***

Joe's just hoping he can continue to ***roll the dice*** for a few more years and sort out the details when he's a bit closer to retirement.

The Savvy Partner

Christine also had a will drafted up a few years back. When she had her initial consultation with her fiduciary advisor, they had people from a partner law firm sitting alongside her at the table. ***These professionals walked her through the importance of having a cohesive estate plan in place***—a plan that is flexible and will adapt to her changing portfolio and financial goals over time. Christine's will, insurance, retirement accounts, plus all deferred compensation and benefits are looked at as a whole instead of piecemeal. ***Her financial team talks through her legacy planning every year,*** and as tax laws change over time, her advisors help her stay in-the-know.

Christine feels a blanketing sense of calm knowing that if anything happens to her, all of her wishes have been expressed, and professionals will be able to quickly transfer her assets to their intended destination with the least possible tax burden.

Food for Thought

Estate planning concerns are expanding with the Baby Boomers, who are predicted to live longer than any generation in history. Children, siblings, and of course Boomers themselves, all have vested interest in making sure proper estate planning is in place. The sooner a living, adaptable estate plan exists, the better. **A properly formed estate plan provides the best in legal protection, tax efficiency, and expedient outcomes should worst case events happen.**

SYM FINANCIAL ADVISORS

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Uncommon Results.

When retirement arrives, how smooth will the transition be for Joe and Christine?

For better or worse, it will be a function of how strong the blueprint was. Partnering with a financial advisor early in a high-income career allows for a strong and adaptive blueprint. Pitfalls are anticipated and avoided. Opportunity sets grow as all available tools are utilized. The chances of success—of actually enjoying the lifestyle that's been worked so hard for—are maximized.

And the jugglers? They may sweat it out well enough. They are impressive in their own right. But at what cost—and more importantly, at what opportunity cost?

Help Has Arrived.

If you're an executive facing the same complexities that Joe faced above, SYM can help. We have a dedicated team that works specifically with and for executives. Each member has the inside knowledge and experience needed to navigate the specific challenges and nuances that executives face in their financial lives. If you're ready for guidance, SYM is standing by to offer it. We can help make sure that the story you're writing with your life has a peaceful and prosperous ending.

Schedule a Call