

DAVIES WEALTH MANAGEMENT

Smart Money Moves: A Financial Planning Guide for High-Income Professionals

Advanced strategies for executives, physicians, attorneys, and business owners earning \$250K+ to build, protect, and optimize their wealth.

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Inside This Guide

Advanced strategies tailored for high-income professionals.

1. **Tax Optimization for \$250K+ Earners** — Strategies to reduce your burden
2. **Backdoor Roth IRA & Mega Backdoor** — Retirement savings beyond the limits
3. **Deferred Compensation Planning** — Timing income strategically
4. **RSU & Stock Option Tax Planning** — Equity compensation strategies
5. **Asset Protection Strategies** — Shielding what you've built
6. **Charitable Giving Strategies** — DAFs, CRTs, and tax-efficient philanthropy
7. **Real Estate Investment Considerations** — Beyond your primary residence
8. **Building Your Financial Team** — CPA, attorney, and advisor coordination
9. **Your Next Step** — Schedule a wealth strategy session

01 Tax Optimization for \$250K+ Earners

Strategic approaches to managing your tax exposure.

High-income professionals face a complex tax landscape: federal marginal rates up to 37%, the 3.8% Net Investment Income Tax (NIIT), 0.9% Additional Medicare Tax, and potential state taxes. Strategic planning can meaningfully reduce your effective rate.

2026 Federal Tax Brackets (Married Filing Jointly)

Taxable Income	Marginal Rate	Key Threshold
\$0 – \$23,850	10%	—
\$23,851 – \$96,950	12%	—
\$96,951 – \$206,700	22%	—
\$206,701 – \$394,600	24%	NIIT begins at \$250K MAGI
\$394,601 – \$501,050	32%	—
\$501,051 – \$751,600	35%	—
\$751,601+	37%	Maximum federal rate

Up to 40.8%

effective marginal rate for high earners when combining the top federal bracket (37%) with NIIT (3.8%). Florida residents avoid adding state income tax on top, a significant advantage.

Core Tax Reduction Strategies

- **Maximize pre-tax retirement contributions:** 401(k), 403(b), 457(b) — up to \$23,500 (plus \$7,500 catch-up if 50+) in 2026
- **Health Savings Account (HSA):** \$8,550 family limit in 2026 — triple tax advantage (deductible, grows tax-free, tax-free for medical)
- **Tax-loss harvesting:** Systematically offset gains with losses across your taxable portfolio
- **Charitable giving optimization:** Bunch deductions, use Donor-Advised Funds, or donate appreciated stock
- **Income timing:** Accelerate deductions into high-income years; defer income into lower years if possible
- **Business entity optimization:** For business owners, ensure your entity structure (S-Corp, LLC) is tax-efficient

02 Backdoor Roth IRA & Mega Backdoor Strategies

Accessing tax-free retirement growth even at high income levels.

High earners are phased out of direct Roth IRA contributions (MAGI limit: \$240,000 MFJ in 2026). However, two powerful workarounds remain available.

Available to most W-2 and self-employed earners

The Backdoor Roth IRA

How it works: Contribute \$7,000 (\$8,000 if 50+) to a Traditional IRA on a non-deductible, after-tax basis. Then convert that contribution to a Roth IRA. The conversion is essentially tax-free since you already paid tax on the contribution.

Key requirement: Works cleanly only if you have no existing pre-tax IRA balances (the "pro-rata rule"). If you do, consider rolling those pre-tax IRAs into your employer's 401(k) first.

Requires employer plan with after-tax contribution option

The Mega Backdoor Roth

How it works: Some 401(k) plans allow after-tax contributions beyond the standard \$23,500 limit, up to the overall 415(c) limit of \$70,000 in 2026 (including employer match). These after-tax contributions can then be converted to a Roth account, either in-plan or via rollover.

Potential annual Roth conversion: Up to \$46,500 or more (the difference between the \$70,000 total limit and your pre-tax contributions plus employer match). This can accelerate tax-free wealth building dramatically.

LEGISLATIVE WATCH

Congress has periodically proposed eliminating backdoor Roth conversions. As of 2026, both strategies remain available. However, acting sooner rather than later is prudent, as future legislation could change the rules. Consult your financial and tax advisor for current guidance.

\$70,000

total 401(k) contribution limit in 2026 (employee + employer + after-tax). The mega backdoor Roth lets high earners fill the gap between their standard contributions and this ceiling with Roth dollars.

03 Deferred Compensation Planning

Timing income to optimize your lifetime tax picture.

Many executives and high-income professionals have access to Non-Qualified Deferred Compensation (NQDC) plans, allowing them to defer a portion of salary or bonus to a future year — ideally when they're in a lower tax bracket.

How NQDC Plans Work

- You elect to defer a percentage of compensation **before** the tax year it would be earned
- Deferred amounts grow on a tax-deferred basis until distribution
- Distributions are taxed as ordinary income when received (typically at retirement or separation)
- No contribution limits like 401(k) plans — you can defer significant sums

Advantages

- Reduce current taxable income substantially
- Tax-deferred growth on invested amounts
- No IRS contribution limits
- Flexible distribution scheduling
- May lower current NIIT and Medicare surtax

Risks to Consider

- Unsecured promise to pay — you're a general creditor
- Company insolvency risk
- Irrevocable election — can't change your mind
- 409A compliance penalties if plan is defective
- Future tax rates may be higher than expected

DECISION FRAMEWORK

NQDC plans work best when (1) your employer is financially strong, (2) you expect to be in a meaningfully lower tax bracket at distribution, and (3) the deferral amount is not money you need for near-term financial goals. Work with your advisor to model the tax savings against the credit risk.

04 RSU & Stock Option Tax Planning

Managing equity compensation to minimize taxes and concentration risk.

Restricted Stock Units (RSUs) and stock options are significant wealth-building tools, but they create complex tax situations. Planning is essential to avoid unnecessary tax exposure and portfolio concentration.

RSUs: Key Tax Considerations

- **At vesting:** The full market value of RSUs is taxed as ordinary income (reported on your W-2)
- **After vesting:** Any gain above the vesting price is taxed as capital gains when sold
- **Withholding gap:** Employers typically withhold at 22% federal — often insufficient for high earners in the 32%–37% bracket. Plan for the shortfall at tax time.
- **Diversification:** Consider a systematic sell-and-diversify plan to reduce single-stock risk

Stock Options: ISO vs. NSO

Feature	Incentive Stock Options (ISO)	Non-Qualified Stock Options (NSO)
Tax at exercise	No regular tax (but AMT may apply)	Ordinary income on the spread
Tax at sale	LTCG if held 1yr+ after exercise and 2yr+ after grant	Capital gains on any post-exercise appreciation
AMT risk	Yes — spread is an AMT preference item	No AMT impact
Withholding	None at exercise	Employer withholds at exercise

05 Asset Protection Strategies

Shielding the wealth you've worked to accumulate.

High-income professionals — especially physicians, business owners, and executives — face elevated liability risks. Proactive asset protection planning is essential and must be done *before* a claim arises to be effective.

Key Asset Protection Tools

Umbrella Insurance

An umbrella policy provides \$1M–\$10M+ of additional liability coverage above your auto and homeowner's limits. Cost is typically \$200–\$500/year per million — one of the most cost-effective protections available for high-net-worth individuals.

Florida Homestead Protection

Florida offers some of the strongest homestead protections in the country. Your primary residence (up to 1/2 acre in a municipality, 160 acres outside) is generally protected from most creditor claims, regardless of value. This is a significant planning advantage for Florida residents.

Retirement Account Protections

ERISA-qualified retirement plans (401(k), pension) have unlimited federal creditor protection. Traditional and Roth IRAs are protected up to approximately \$1.5M+ in bankruptcy (adjusted periodically). Maximize these accounts first.

Business Entity Structure

Operating through an LLC or corporation can separate personal and business liability. Proper entity selection, maintenance of corporate formalities, and adequate insurance are all critical components of business-related asset protection.

Additional Strategies to Discuss with Your Attorney

- **Irrevocable trusts:** Assets transferred to properly structured irrevocable trusts may be protected from future creditors
- **Tenancy by the entirety:** In Florida, assets held jointly by married couples may receive enhanced creditor protection
- **Domestic Asset Protection Trusts:** Available in some states; consult a qualified estate planning attorney
- **Malpractice and professional liability insurance:** Essential first line of defense for licensed professionals

06 Charitable Giving Strategies

Maximize your philanthropic impact while optimizing tax benefits.

For high-income professionals who value giving, strategic charitable planning can amplify both your impact and your tax efficiency. The key is matching the right strategy to your goals and income pattern.

Donor-Advised Funds (DAFs)

How it works: You make an irrevocable contribution to a DAF account, receive an immediate tax deduction, and then recommend grants to charities over time. The contributed assets can grow tax-free in the fund.

Best for: "Bunching" multiple years of charitable giving into a single high-income year to exceed the standard deduction, then distributing grants over several years. Also excellent for donating appreciated stock (deduct full market value, avoid capital gains).

Charitable Remainder Trusts (CRTs)

How it works: You transfer appreciated assets into a trust that pays you (or a beneficiary) income for a period of years or for life. The remainder goes to charity. You receive a partial tax deduction at funding and avoid immediate capital gains on the contributed assets.

Best for: Individuals with large concentrated stock positions or highly appreciated real estate who want income diversification, tax reduction, and charitable impact. Typically appropriate for gifts of \$250,000+.

Donating Appreciated Assets

One of the most tax-efficient charitable strategies is donating long-term appreciated securities directly to charity (or to a DAF). You receive a deduction for the full fair market value and pay zero capital gains tax on the appreciation.

Example: Cash Donation vs. Appreciated Stock

You want to donate \$50,000 to charity. You own stock purchased for \$10,000, now worth \$50,000.

- **Donate cash:** \$50,000 deduction. You still own the stock with \$40,000 of unrealized gains.
- **Donate the stock:** \$50,000 deduction AND you avoid \$40,000 in capital gains (saving up to \$9,520 in federal tax at 23.8%).

Same charitable impact. Significantly better tax outcome.

Qualified Charitable Distributions (QCDs)

For those age 70-1/2 or older, QCDs allow direct transfers from your IRA to charity (up to \$105,000 in 2026). QCDs satisfy your RMD requirement and are excluded from taxable income entirely — a powerful combination for retirees who don't need all their RMD income.

07 Real Estate Investment Considerations

Beyond your primary residence: building wealth through real estate.

Real estate can be a valuable component of a diversified wealth-building strategy, offering potential income, appreciation, tax benefits, and inflation protection. However, it also introduces complexity, illiquidity, and management responsibilities.

Real Estate Investment Options

Approach	Involvement	Liquidity	Tax Benefits
Direct rental property	High (or hire management)	Low	Depreciation, 1031 exchanges, deductions
Real estate syndications	Passive (limited partner)	Very low (5–10 yr lock)	K-1 losses, depreciation pass-through
REITs (public)	None	High (traded daily)	20% QBI deduction on REIT dividends
Real estate crowdfunding	None	Low to moderate	Varies by structure

Tax Advantages of Direct Real Estate

- **Depreciation:** Deduct the cost of the building (not land) over 27.5 years for residential — creating "phantom losses" that offset rental income
- **1031 Exchange:** Defer capital gains by reinvesting sale proceeds into a like-kind property

- **Cost segregation:** Accelerate depreciation on building components for larger upfront deductions
- **Real Estate Professional status:** If you qualify (750+ hours), rental losses can offset ordinary income without limitation

IMPORTANT FOR HIGH EARNERS

Passive activity loss rules generally prevent high earners from deducting rental losses against W-2 or business income. However, with proper structuring and professional guidance, there are legal strategies to maximize the tax benefits of real estate within these rules.

08 Building Your Financial Team

Coordinating experts for comprehensive wealth management.

Complex financial situations require a team. The most effective approach is a coordinated group of professionals who communicate regularly and align their advice.

1 Fee-Only Financial Advisor (Quarterback)

Coordinates the overall strategy: investment management, retirement planning, cash flow, insurance review, and goal tracking. Your advisor should serve as the central hub connecting all other professionals.

2 CPA or Tax Strategist

Handles tax preparation, proactive tax planning, estimated payments, and entity structuring. Your CPA and advisor should collaborate on Roth conversions, capital gains harvesting, and deduction timing.

3 Estate Planning Attorney

Drafts wills, trusts, powers of attorney, and healthcare directives. Reviews beneficiary designations and asset titling. Essential for asset protection and legacy planning.

4

Insurance Specialist (Fee-Only Preferred)

Reviews life, disability, umbrella, and long-term care coverage. Ensures adequate protection without over-insurance. A fee-only insurance consultant avoids commission bias.

YOUR NEXT STEP

Schedule a Wealth Strategy Session

Your financial situation is unique. Let us help you build a coordinated strategy that addresses tax optimization, equity compensation, asset protection, and long-term wealth building — all under one fiduciary roof.

[Book Your Strategy Session](#)

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Tax laws and regulations are complex and subject to change. The strategies discussed in this guide may not be suitable for all individuals. Tax brackets, contribution limits, and other figures referenced are based on 2026 projections and may be adjusted by the IRS. Always consult a qualified tax professional before implementing any tax strategy.

References to asset protection strategies are for educational purposes and do not constitute legal advice. Asset protection planning must be implemented before a claim arises to be effective. Consult a qualified attorney licensed in your state.

Real estate investments involve risk, including potential loss of principal, illiquidity, and market volatility. Past performance of real estate investments does not predict future results.

Consult with qualified financial, tax, and legal professionals before making any financial decisions.

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