

# Executive Planning Guide

Maximizing Your Compensation.  
Minimizing Your Taxes.

*Make smarter decisions with RSUs, ESPPs, and deferred compensation  
and keep more of what you've earned.*



# Understanding Your Executive Compensation Components and Their Tax Implications

Executive compensation packages typically include multiple equity instruments, each with distinct tax treatments. Understanding these differences is fundamental to effective tax planning and wealth maximization.



## Restricted Stock Units (RSUs)

RSUs are taxed as ordinary income upon vesting based on fair market value. Capital gains tax applies to any appreciation when you sell the shares after vesting.



## Restricted Stock Awards (RSAs)

RSAs are taxable at vesting unless you file an 83(b) election within 30 days of grant. This election allows you to pay tax at grant date value, potentially significantly lowering future tax liability if the stock appreciates.



## Incentive Stock Options (ISOs)

ISOs offer favorable long-term capital gains treatment if holding period requirements are met. However, the spread at exercise may trigger Alternative Minimum Tax (AMT), requiring careful planning and timing considerations.

## Non-Qualified Stock Options (NQSOs)

NQSOs are taxed as ordinary income on the spread between exercise price and fair market value at exercise. Any subsequent appreciation is taxed as capital gains when shares are sold.

## Employee Stock Purchase Plans (ESPPs)

ESPPs allow discounted stock purchases with potential tax benefits. Holding shares for qualifying periods converts discount income to favorable capital gains rates.

# Key Tax Strategies to Maximize Benefits and Minimize Liabilities

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Implementing targeted tax strategies can dramatically improve your after-tax returns on executive compensation. These approaches require careful timing, documentation, and coordination with your overall financial plan.

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## 83(b) Election for RSAs

File within 30 days of grant to pay tax on current grant value rather than higher vesting value. This strategy is particularly powerful when stock is expected to appreciate significantly.

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## Strategic ISO Exercise Timing

Exercise ISOs carefully to manage AMT exposure. Consider exercising fewer shares annually to stay below AMT thresholds, or plan exercises to maximize AMT credit recovery in subsequent years.

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## ESPP Holding Period Optimization

Hold ESPP shares at least 2 years from grant date and 1 year from purchase date to qualify for favorable capital gains treatment on the discount portion.

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## Nonqualified Deferred Compensation Plans

Leverage NQDC plans to defer income to future years when you anticipate lower tax brackets. Recent 2025 tax law changes have expanded deduction limits, making this strategy newly attractive.

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## Annual Tax Projections

Work closely with tax advisors to forecast liabilities from complex compensation structures. Plan distributions and exercises to smooth income across years and minimize total tax burden.

# Common Mistakes and Pitfalls to Avoid

Even sophisticated executives can fall victim to common compensation planning errors. Awareness of these pitfalls is the first step toward avoiding costly mistakes that can erode wealth and create unexpected tax liabilities.

## Underwithholding on Supplemental Income

Bonuses, stock exercises, and commissions often have insufficient tax withholding. Default supplemental withholding rates may not cover actual tax liability, leading to large year-end tax bills and potential penalties.

## Ignoring Tax Law Changes

New excise taxes on compensation exceeding \$1 million, expanded SALT deduction caps, and modified Section 162(m) deduction limits require updated planning strategies. Outdated approaches may no longer be optimal or compliant.

## Missing the 83(b) Election Deadline

Missing the 83(b) Election Deadline  
Failing to file within 30 days of RSA grant forfeits the opportunity to reduce ordinary income tax on future appreciation. This oversight can cost executives hundreds of thousands in unnecessary taxes as stock values grow.

## Exercising Too Many ISOs at Once

Large ISO exercises can trigger substantial AMT bills without careful planning. The AMT paid may not be fully recoverable, and the unexpected tax burden can strain cash flow and force premature asset sales.

## Selling ESPP Shares Too Early

Disposing of ESPP shares before meeting holding period requirements converts favorable capital gains treatment to ordinary income tax rates on the discount portion, significantly increasing tax liability.

### Documentation Failures

Inadequate record-keeping of basis, exercise dates, and holding periods can result in incorrect tax reporting and lost substantiation for favorable treatment.

### Concentration Risk

Holding excessive company stock for tax reasons creates portfolio risk that may outweigh tax savings, particularly if company performance deteriorates.

# The Executive Advantage, Integrated Wealth Strategy

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At this level, every decision — when to sell, what to defer, and how to reinvest — carries a measurable long-term impact.

The key to maximizing your compensation lies in coordination: aligning taxes, investments, and timing under a single, forward-looking plan.

## **How Insight Helps Executives Succeed:**

Our fiduciary advisors specialize in helping corporate leaders and professionals transform complex compensation packages into cohesive wealth strategies. We model tax outcomes, simulate vesting schedules, and identify opportunities that can save thousands — or even millions — over your career.



## **Schedule Your Executive Strategy Session**

Insight Wealth Strategies

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