Hilltop
WEALTH & TAX SOLUTIONS

IS YOUR PORTFOLIO CREATING A BIGGER TAX BILL?

A HIGH-NET-WORTH INVESTOR'S GUIDE TO PROACTIVE TAX PLANNING

Most investors pay close attention to portfolio performance.

They review account balances. They monitor market movement. They ask whether their investments are on track. Those questions matter.

But for high-net-worth investors, there is another question worth asking before tax season begins:
How much of your portfolio growth, income, or future wealth could be affected by taxes?

A growing portfolio is a positive sign, but growth can also create tax complexity. Capital gains, dividends, interest income, concentrated stock positions, retirement withdrawals, business income, charitable giving, and estate planning decisions may all affect your broader tax picture.

Tax season is when you report what already happened.

Tax strategy is when you may still have time to review what happens next.

This guide is designed to help high-net-worth investors understand where tax exposure may show up, why planning before tax season matters, and how a coordinated wealth and tax planning process can help bring the full financial picture together.

TAX PREPARATION IS NOT THE SAME AS TAX STRATEGY

Tax preparation is primarily backward-looking. It organizes income, deductions, gains, losses, and other activity from the prior year so a tax return can be filed.

Tax strategy is different.

Tax strategy looks forward. It reviews the decisions that may affect future tax outcomes, including investment sales, retirement withdrawals, charitable gifts, business income, Roth conversions, estate planning, and other time-sensitive opportunities.

Both tax preparation and tax planning are important, but they serve different purposes.

By the time tax documents arrive, many decisions may have already been made. Gains may have been realized. Income may have been received. Retirement distributions may have been taken. Charitable gifts may or may not have been completed. Business income decisions may already be closed for the year.

For high-net-worth investors, that timing matters.

The more complex your financial life becomes, the more important it may be to review tax-sensitive decisions before tax season begins.

A tax return reports the outcome. A tax strategy helps evaluate what may still be possible before the outcome is finalized.

THE TAX BILL BEHIND PORTFOLIO GROWTH

Portfolio growth matters, but the tax impact of that growth can vary significantly depending on how assets are structured, where they are held, and when income or gains are realized.

A taxable brokerage account may create dividends, interest income, capital gains, or fund distributions. A concentrated stock position may carry a large embedded gain. A portfolio rebalance may create taxable activity. A mutual fund may distribute capital gains even if you did not personally sell shares.

For high-net-worth investors, these details can become more meaningful as portfolio values increase.

The key question is not simply, "How did my portfolio perform?"

It is also, "How is my portfolio structured from a tax perspective?"

Areas worth reviewing may include:

- Realized and unrealized capital gains
- Taxable dividends and interest income
- Concentrated stock positions
- Tax-loss harvesting opportunities
- Mutual fund capital gain distributions
- Tax-aware rebalancing
- Asset location across taxable, tax-deferred, and Roth accounts
- Liquidity needs that may require selling appreciated assets

Tax efficiency should not override sound investment strategy. Risk tolerance, income needs, diversification, and long-term goals still matter. However, taxes should be part of the conversation.

Two portfolios may produce similar investment returns but lead to different after-tax results depending on how they are managed and coordinated.

For high-net-worth investors, the return is only part of the story.

The after-tax result may matter just as much.

RETIREMENT INCOME CAN CREATE FUTURE TAX EXPOSURE

Many high-net-worth investors accumulate significant assets in tax-deferred retirement accounts, including traditional IRAs, 401(k)s, and other employer-sponsored plans.

These accounts can be valuable accumulation tools, but they may also create taxable income later in retirement. Withdrawals from tax-deferred accounts are generally taxable. Required minimum distributions may increase taxable income once they begin. Retirement withdrawals may also affect Medicare premiums, taxation of Social Security benefits, and overall cash flow planning.

That is why retirement income planning should be reviewed before tax season, not only during retirement.

Key areas to consider include:

- Which accounts should be used first for retirement income
- Whether Roth conversions should be reviewed before year-end
- How future required minimum distributions may affect taxable income
- Whether tax diversification exists across taxable, tax-deferred, and Roth accounts
- Whether charitable giving could be coordinated with retirement distributions when eligible
- How retirement withdrawals may affect other tax-sensitive areas

Roth conversions are one example of a strategy that may deserve review. A Roth conversion generally creates taxable income in the year of conversion, so it is not automatically beneficial. However, depending on income, time horizon, estate goals, and expected future tax rates, it may be worth evaluating as part of a broader plan.

The goal is not to eliminate taxes. The goal is to make informed decisions about when and how income is recognized.

HIGH INCOME, BUSINESS OWNERSHIP, AND LIQUIDITY EVENTS

High-net-worth investors often have more complex income situations than a standard W-2 employee.

They may own a business, receive large bonuses, exercise stock options, sell real estate, sell a business, receive partnership income, or experience a major liquidity event.

These events can create tax implications that should be reviewed before they occur whenever possible.

Examples may include:

- Business owner compensation planning
- Entity structure review
- Retirement plan design
- Income timing
- Estimated tax planning
- Stock compensation planning
- Business sale or succession planning
- Real estate gains
- Charitable giving in high-income years
- Coordination between personal and business tax strategy

For business owners, the line between business planning and personal wealth planning is often thin. A decision made inside the business may affect personal income, retirement savings, estate planning, and future liquidity.

This is where coordination becomes especially important.

An investment advisor may not see the full business picture. A tax preparer may not know the long-term wealth strategy. An attorney may not know the investment or retirement income plan.

When those conversations are disconnected, planning opportunities may be missed.

CHARITABLE, ESTATE, AND LEGACY PLANNING

For many high-net-worth families, tax strategy is not only about income.

It may also connect to charitable giving, estate planning, and legacy goals.

Charitable giving can be personally meaningful, but the method and timing of a gift may create different tax considerations. Giving cash, gifting appreciated assets, using a donor-advised fund, bunching gifts, or making qualified charitable distributions when eligible may each have different planning implications.

Estate planning can also create tax-sensitive questions. Account titling, beneficiary designations, trusts, gifting strategies, and the type of assets left to heirs can all affect how wealth transfers.

Areas to review may include:

- Whether charitable giving should be coordinated before year-end
- Whether appreciated assets may be appropriate for charitable gifts
- Whether a donor-advised fund fits the family's giving goals
- Whether qualified charitable distributions are relevant once eligible
- Whether estate documents align with beneficiary designations
- Whether tax-deferred accounts create future tax considerations for heirs
- Whether gifting strategies should be reviewed with legal and tax professionals

Estate planning should always involve qualified legal counsel. However, financial and tax professionals can play an important role in helping coordinate how the estate plan fits within the broader wealth strategy.

WHEN ADVANCED TAX MITIGATION MAY BE WORTH REVIEWING

Some high-net-worth households may need planning that goes beyond annual tax preparation or basic year-end tax planning.

This may be especially relevant for investors with substantial taxable income, business ownership, significant appreciated assets, major liquidity events, complex estate planning goals, or concentrated wealth.

Advanced tax mitigation strategies are not appropriate for everyone. They may involve specific qualifications, costs, risks, documentation requirements, legal considerations, and ongoing compliance obligations. They should be evaluated carefully with qualified tax, legal, and financial professionals.

However, for the right household, these conversations may be worth reviewing before tax season begins.

Examples of situations that may call for deeper tax strategy review include:

- A business owner expecting a high-income year
- A family preparing for the sale of a business or real estate
- An investor with a large concentrated stock position
- A household with significant charitable intent
- A retiree with large future required minimum distributions
- A family concerned about estate or legacy planning
- A high-income professional with limited time to coordinate multiple advisors

At Hilltop Wealth & Tax Solutions, our role is to help clients review the full financial picture. That may include coordinating wealth management, tax planning, retirement income, estate considerations, and, when appropriate, conversations with specialized tax mitigation strategy partners.

The goal is not to promise a specific tax result.

The goal is to evaluate whether certain strategies may be appropriate based on the client's circumstances, goals, and current law.

THE RISK OF DISCONNECTED ADVICE

High-net-worth investors often work with multiple professionals.

They may have a financial advisor, CPA, estate attorney, business attorney, insurance professional, and other specialists. Each professional may provide valuable guidance, but the client is often left trying to connect the pieces.

That can create gaps.

For example:

- An investment sale may create tax consequences the CPA does not see until filing season.
- A charitable gift may be made without reviewing appreciated asset options.
- A Roth conversion may be considered without coordinating Medicare or cash flow implications.
- A business sale may move forward before personal wealth and tax planning are aligned.
- Estate documents may be drafted without coordinating account titling and beneficiary designations.
- A portfolio may be managed for growth without fully reviewing tax exposure.

The issue is not that any one professional is doing something wrong.

The issue is that high-net-worth planning often requires more coordination.

When investment strategy, tax planning, retirement income, business planning, and estate planning are reviewed together, clients may be better positioned to make informed decisions before key deadlines pass.

PRE-TAX-SEASON REVIEW CHECKLIST

Before tax season begins, consider reviewing the following areas with your advisory team:

Portfolio and Investment Tax Review

- Have you reviewed realized and unrealized gains?
- Are there losses that may be useful to evaluate before year-end?
- Are concentrated positions creating future tax exposure?
- Could rebalancing create taxable gains?
- Are your taxable accounts managed with tax awareness?

Income and Retirement Review

- What income do you expect this year?
- Are bonuses, business income, or liquidity events expected?
- Should Roth conversion planning be reviewed?
- Are future required minimum distributions part of the conversation?
- Is your withdrawal strategy coordinated across account types?

Charitable and Legacy Review

- Are charitable gifts being reviewed before year-end?
- Would appreciated assets, donor-advised funds, or qualified charitable distributions be worth discussing?
- Are your estate documents and beneficiary designations aligned?
- Are tax considerations for heirs being reviewed?

Business Owner and Advanced Strategy Review

- Is your business income coordinated with your personal tax plan?
- Are retirement plan options being evaluated?
- Is a sale, succession, or liquidity event on the horizon?
- Are advanced tax mitigation strategies worth discussing with qualified professionals?
- Are your advisor, tax professional, attorney, and other specialists working from the same information?

This checklist is not a substitute for personalized tax, legal, or investment advice. It is designed to help start a more complete planning conversation.

Bringing the Full Financial Picture Together

For high-net-worth investors, wealth planning should go beyond portfolio performance alone.

A strong investment strategy is important. But taxes may also affect retirement income, investment decisions, business planning, charitable giving, estate planning, and legacy goals.

That is why ***coordination matters.***

At Hilltop Wealth & Tax Solutions, we help clients review their wealth through a broader lens. Our planning process is designed to bring together investment management, tax planning, retirement income strategy, and estate considerations. For certain high-net-worth clients, we may also help coordinate conversations with specialized tax mitigation strategy partners when more advanced planning may be appropriate.

This does not guarantee a specific tax outcome, and not every strategy is right for every client. But it may help clients better understand where tax exposure exists, what decisions may still be available, and how those decisions fit into the larger wealth plan.

Your portfolio may be growing, but the question *is whether your tax strategy is keeping up?*

Before tax season begins, take time to review more than your return.

And when you're ready, we'll be here to review the full financial picture with you.

SCHEDULE AN INTRODUCTORY CALL

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