TEMPO

Building Wealth as a Corporate Executive

A White Paper by Tempo Wealth

Introduction

Corporate executives face financial opportunities and challenges that few others encounter. Beyond salary and bonus, your wealth is built through equity incentives, specialized retirement plans, insurance carve-outs, and sophisticated tax and estate planning. The decisions you make about these benefits don't just affect today's paycheck—they shape your long-term wealth, retirement options, and legacy.

This paper breaks down the key tools available to executives at public companies, explains why each matters, and shows—through real-world style case studies—how to integrate them for maximum impact.

401(k), Roth vs. Pre-Tax, and the Mega Roth

The 401k is the cornerstone of most benefit packages, and the first place to look when strategizing how to maximize wealth. On top of providing a place to save and invest dollars for the future, it also provides unique tax incentives that help you manage your tax brackets today and into the future.

How it works
Executives often hit contribution limits quickly, but advanced strategies exist:

- **Pre-tax contributions** reduce taxable income today.
- **Roth contributions** grow tax-free and provide flexibility in retirement.
- **Mega Backdoor Roth** allows after-tax contributions above the standard IRS limits, which can then be converted into Roth accounts for unlimited tax-free growth.

Why it matters
Executives often retire before 65 with substantial wealth. Having both pre-tax and Roth buckets gives flexibility to manage taxes in retirement.

Case Study

Lisa, a 52-year-old executive, maxed out her 401(k) but also utilized the Mega Roth strategy to build $500k in tax-free assets by retirement. When she retired her income needs required her to pull $415k in income. We were able to use her taxable sources of income to maximize the 24% tax bracket at $394k of income, but the additional Roth dollars prevented her from jumping into the 32% bracket.

Stock Compensation: SARs, LTIPs, RSUs, ESPPs

While stock incentive programs tend to be one of, if not the largest driver of wealth for executives, it often brings the most amount of question. Performance, Vesting, Taxation, and over-concentration risk all pose unique challenges for executives. Understanding how each of these work and developing a gameplan months or years in advance helps you to capture more of this value.

How it works

- **Stock Appreciation Rights (SARs):** Provide gains on stock appreciation, taxed at exercise.
- **Long-Term Incentive Plans (LTIPs):** Tied to performance metrics, encouraging long-term alignment with company success.
- Restricted Stock Units (RSUs): Deliver shares at vesting, taxed as income.
- **Employee Stock Purchase Plans (ESPPs):** Discounted share purchases, often with "lookback" features.

Why it matters
These vehicles are wealth multipliers, but poorly timed sales can spike taxes or lead to over-concentration in company stock.

Case Study

Raj, an executive at a public healthcare company, had $1.2M vesting in RSUs over 4 years in combination with SARs. By earmarking the SARs to different goals like charitable giving, education, and vacation homes he was able to identify appropriate exercise prices, timing, and tax strategies to meet his goals. The RSUs were then able to be used as a tool to build diversified wealth outside of the company.

Executive Insurance Carve-Outs

When compensation starts to creep above $350k for most companies, the standard benefit plans (life and disability insurance) often have benefit caps that end up leaving a risk exposure. It's not uncommon for this to go unnoticed until it becomes a problem. My companies offer their executives insurance carve outs to address this that require additional planning and decision making.

How it works
Executives often receive special life and disability coverage beyond rank-and-file employees. These policies are designed to replace higher incomes and cover unique risks.

Why it matters
Protecting future earnings is critical. If your household relies on seven-figure compensation, standard coverage often falls short.

Case Study

Maria, a CFO, had a base disability plan through the company that capped benefits at $15k/month, significantly below her annual income. By electing to pay the tax on the premium of her executive carve out plan, she was able to maintain adequate coverage and didn't need to purchase supplemental insurance elsewhere.

Deferred Compensation

Combinations of heavy base and bonus compensation combined with stock compensation often creates spikes in taxes. Deferred Comp can be a unique way to manage these tax spikes, but it comes with important tax considerations. Executives have to determine how much deferral is appropriate, as well as how this compensation should be paid out in retirement. Misjudging either of these variables can amplify those tax issues.

How it works
You can elect to defer portions of salary or bonus into future years, often with investment options tied to the market.

Why it matters
This lets you manage taxable income, especially in years when large equity awards vest. It also allows income smoothing between peak earning years and retirement

Case Study

Tom, a 58-year-old executive, faced a year where his LTIPs vested and his SARs were exercised, driving up his taxable income. By electing a higher deferred compensation deferral in advance, he was able to delay some of this taxation out to his retirement when his tax bracket is lower. He was also able to select a payout strategy that coordinates with his other taxable income in retirement like NUA, Pension, Stock Comp, and Social Security.

Tax Strategies

As wealth starts to build after years of executive compensation, managing the tax impact of your after-tax investments is critical. Receiving a 10% capital gain distribution on a $100k portfolio generates some additional taxes at the end of the year, but typically isn't noticed considering how small of a dollar figure it is compared to your income taxes. As wealth builds to $2M, that 10% capital gain distribution just resulted in $200k of extra income you have to consider. Luckily, there are several ways to minimize that tax exposure through proper planning.

Key tools include:

- **Tax-loss harvesting** to offset gains.
- **Strategic Roth conversions** in lower-income years.
- **Timing RSU sales** across calendar years.
- **Asset location strategies** (putting bonds in IRAs, equities in taxable accounts).

Case Study

Erica, an executive with significant after-tax assets due to years of stock compensation activity, was noticing larger tax bills due to her heavy capital gains and 1099 dividends/interest. By restructuring her portfolio, she was able to lower this burden and improve compounding.

Charitable Strategies

For many executives, their financial goals start to change as their wealth builds. Instead of focusing solely on their personal retirement and wealth goals, they now start to consider how to use their money to impact other generations in their family as well as charities. On the charitable front, there are several planning strategies that allow you to provide a greater impact to the causes you support while also minimizing your tax liability that go far beyond a simple cash donation.

How it works
Executives often use Donor-Advised Funds (DAFs), gifting appreciated stock, or charitable remainder trusts.

Why it matters
Philanthropy can also be a tax-smart strategy, reducing high-income years and creating long-term giving vehicles.

Case Study

When Jason's RSUs vested for $600k in a single year, he donated $100k of appreciated stock into a DAF. He received the deduction immediately, avoided capital gains tax, and created a giving vehicle that supports his family's values.

Estate Strategies

Proper estate planning is important no matter what stage of life you're in. If you've ever had to go through the probate process after a loved one passed, you unfortunately know how important this planning can be. Proper estate planning addresses a wide variety of elements, including who to pass money to, how to protect it for them, and how to minimize legal costs and taxes, amongst other things. Coordinating your estate planning documents with your financial planning strategies helps to create a well-rounded approach to allow your loved ones and charities to receive and keep the wealth you've built.

How it works

Wealth transfer vehicles like revocable and irrevocable trusts, family partnerships, or insurance trusts can help protect your assets for next generations from risks tied to taxes, creditor issues, and divorce.

Why it matters

Executives often accumulate significant wealth quickly—without planning, a large share may go to estate taxes.

Case Study

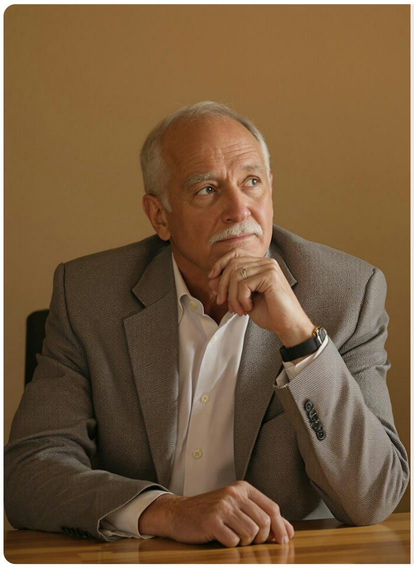
A couple, both executives, used a combination of Family Trusts and Gift Trusts to protect their wealth for their children while lowering estate tax burden.

Pension Elections

While they're less common than they were 20 years ago, many companies still offer pension benefits that can provide a steady stream of income in retirement. While this is an incredible benefit to have, it also needs to be properly addressed alongside your other forms of compensation. Choosing the correct timing and filing strategy at retirement allows you to maximize this great retirement income source.

How it works
For executives with legacy pension benefits, choices may include lump sum, annuity, or survivor benefit options.

Why it matters
The election is often irreversible. It affects retirement income, spouse protection, and tax strategy.



Case Study

Alan, a retiring executive, had a significant pension available for him at retirement. By analyzing his other income sources in retirement, he was able to identify the correct timing and benefit option to meet his long-term goals without causing any unnecessary tax spikes.

Why Integration is the Real Advantage

Each strategy—whether Roth vs. pre-tax, RSU sales, or charitable giving—offers value on its own. But the greatest benefit comes when they are coordinated together:

- Use deferred comp to offset RSU vest years.
- Combine charitable gifts with ESPP sales.
- Match pension elections with insurance carve-outs to protect income streams.
- Layer estate planning onto equity strategies to reduce tax burdens for heirs.

Executives who view these as **interconnected levers** build more resilient, tax-efficient, and purpose-driven wealth.

Fortune 500 companies have executive teams that operate in their area of specialty, but they all work as a coordinated unit to maximize the success of a company. Just like a CEO, CFO, CIO, COO, and others need to speak regularly to make this happen, at Tempo we believe the same should happen with personal finances. Communication and integration with Advisors, CPAs, Attorneys, and others leads to development of a thoughtful plan to position executives to make timely and tax-efficient decisions.

Closing Thoughts

As an executive, your financial landscape is complex—but also filled with opportunity. The challenge isn't choosing between tools; it's orchestrating them into a cohesive plan. That's where expert guidance makes the difference—ensuring each decision serves your broader goals: financial freedom, family security, and meaningful legacy.

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