WHITEPAPER

The Curse of the Large Portfolio:

Why **Proactive Tax Planning** Has Become the Differentiator for High Net Worth Advisors

For years, many high-net-worth clients operated under the assumption that if their portfolio kept growing, everything was working.

And to be fair, it often was. A decade-plus bull market, surging equity values, and aggressive retirement savings have dramatically increased household wealth.

But that success has also created a new category of planning problem, one that many clients don't recognize until it's too late.

Today's affluent households are increasingly "rich on paper" but **trapped by embedded taxes, oversized retirement accounts, concentrated positions, and outdated estate plans.** In many cases, the biggest threat to preserving wealth isn't market volatility—it's tax inefficiency.

That shift is creating a major opportunity for advisors who can connect investment management, retirement income planning, and tax strategy into one coordinated approach. Those who proactively address these issues can help clients potentially save hundreds of thousands (or even millions) of dollars over their lifetimes.

Why Large Portfolios Create Bigger Planning Problems

Debra Taylor
Managing Partner and
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Carson Wealth

High-net-worth (HNW) households have grown significantly over the last decade. Families with $2–5 million portfolios **have nearly tripled their wealth since 2013,** while households above $10 million have grown even faster.

But larger portfolios often come with larger tax exposures. Many HNW clients are now facing:

- Highly appreciated taxable accounts
- Oversized traditional IRAs
- Concentrated stock positions
- Rising required minimum distributions (RMDs)
- Estate planning gaps
- Increased exposure to the SECURE Act's 10-year rule

The result is something Carson Wealth Managing Partner and Chief Tax Strategist Debra Taylor refers to as the "three ghosts" of lifetime tax planning—alluding to the Charles Dickens classic, "A Christmas Carol.".

"Without proactive planning, clients can lose millions in lifetime taxes," Taylor said.

The Present Ghost: Tax Complacency

Historically low tax rates and wide brackets have lulled many investors into thinking taxes are manageable. Clients in "income valleys" may not yet feel the impact of future RMDs or concentrated gains.

The Near Future Ghost: Retirement Tax Shock

Large traditional IRA balances can create massive RMDs later in retirement, especially for dual-income households or business owners who have aggressively funded tax-deferred accounts.

Widows may also experience a dramatic increase in taxes after the loss of a spouse due to compressed single-filer brackets and IRMAA surcharges.

The Future Legacy Ghost: Heirs and Estate Taxes

The SECURE (Setting Every Community Up for Retirement Enhancement) Act changed inherited IRA planning entirely. Most non-spouse beneficiaries must now fully distribute inherited IRAs within 10 years, potentially during their peak earning years.

That means clients who spent decades building wealth may unknowingly be leaving their children a tax burden instead of a tax-efficient legacy.

How You Should Handle It

So how do you combat these challenges for your clients?

Taylor said to start by expanding your look-ahead distance.

"Tax planning is not just about this year," she said. "A lot of CPAs and tax preparers, that is their focus because they want to look like the hero this year... The idea here is tax planning is saving money over your lifetime, having the lowest lifetime tax bill, paying taxes at the lowest lifetime rates."

Taking a proactive approach will require some moves that may seem unorthodox, but Taylor said it's necessary given the nature of today's tax code.

"If you model out forward and see that [your client] could be in a higher tax bracket down the road, then we need to potentially pull some of that income forward," she said. "I know that breaks all of the rules. But those rules are old and antiquated and they've been around for decades. Those rules do not apply to today's wealth that's been created, to the SECURE Act, to the 10-year rule.

"That means that we need to do Roth conversions, we need to take distributions from those IRAs–even if we don't need them. Maybe we do some capital gain harvesting of that large Microsoft position if we're in a low tax bracket."

There are many ways to begin mitigating tomorrow's tax burden for your clients today. But, according to Taylor, there's only one tool that empowers you to provide that kind of comprehensive tax planning.

"The only way you're going to do it is modeling it out and using Holistiplan. Period," she said. "There's no other way to do this. It's too complicated.

"I don't care how smart you are. You must use this software to model out all these types of permutations so that you can be delivering to the client the level of services that they need and so that you can save them literally millions of dollars in taxes."

The Hidden Risk of “Frozen” Portfolios

One of the most common problems among affluent clients today is the frozen portfolio, which are taxable accounts with large unrealized gain that clients are emotionally, psychologically, or financially unwilling to tap into over the fear of tax consequences. These include assets like legacy family holdings, appreciated company stock, and tech-heavy portfolios that have been held for many years, among others.

Ironically, many clients become overexposed to concentration risk because they are trying to avoid taxes. Taylor’s advice? **Don’t let the tax tail wag the dog.**

Strategic Capital Gain Harvesting Matters

One of the simplest but most overlooked planning opportunities is systematic capital gain harvesting. **Many clients assume every long-term gain will automatically be taxed at 20%.** In reality, advisors can often strategically fill lower capital gain brackets over multiple years to gradually diversify appreciated positions.

This is where tax-planning software becomes especially valuable. Rather than relying on rough estimates, advisors can model gain realization scenarios, bracket thresholds, and future tax impacts with precision.

Charitable Giving Can Solve Multiple Problems

Appreciated securities remain one of the most tax-efficient charitable planning tools available. Instead of selling appreciated stock and donating cash, clients can donate the securities directly. This avoids capital gains taxes while still satisfying charitable goals.

> **For example:**
> Say you have a client who would like to donate $300,000 to a charity. They planned on selling a $300,000 equity position that has a cost basis of $50,000 to fund the donation, which would realize $250,000 in capital gains.
>
> But as seen in the adjacent Holistiplan modeling, the client saves nearly $70,000 in federal and state taxes by donating the appreciated security itself.
>
> See ilustrative charts below ↓

Example 1

	SCENARIO 1 **Tax Year 2026 - Cash Gift**	**CHANGE** Scenario 1 → Scenario 2	SCENARIO 2 **Tax Year 2026 - Gift of Appreciated Securities**
INCOME			
Total Income	$ 760,000	$ **250,000**	$ 510,000
SHEDULE A - ITEMIZED DEDUCTIONS			
Standard/Itemized Deductions	$ 296,200	$ **1,250**	$ 297,450

HIDDEN BENEFIT: With OBBBA imposing a 0.5% MAGI floor on Charitable Contributions, avoiding the capital gain income reduces their MAGI, increasing the allowable charitable giving deduction

Example 2

	SCENARIO 1 **Tax Year 2026 - Cash Gift**	**CHANGE** Scenario 1 → Scenario 2	SCENARIO 2 **Tax Year 2026 - Gift of Appreciated Securities**
FEDERAL WITHHOLDING CALCULATOR			
Total Tax	$ 84,030	$ **47,275**	$ 36,755
STATE TAX WITHHOLDING CALCULATOR			
Total State Tax	$ 50,771	$ **22,425**	$ 28,346

RESULT: Client saves $69,700 in Federal and NJ State income taxes by avoiding the capital gain and contributing the shares directly

For advisors, strategies like this create an opportunity to deepen planning conversations far beyond asset allocation.

Oversized Traditional IRAs Are Becoming a Major Tax Liability

Many affluent households spent decades maximizing tax-deferred contributions under the assumption that retirement would place them in lower tax brackets. But that assumption is increasingly less safe.

People today often enter retirement with multimillion-dollar IRAs, large taxable portfolios, Social Security income, pension income, and continued investment growth. That can result in RMDs large enough to put retirees right back into higher marginal tax brackets.

Here are some strategies for protecting your clients against that.

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Asset Location Is More Important Than Ever

Taylor highlighted strategic asset location as an increasingly useful method.

Using modeling from Holistiplan, she used the example of a 40-year-old couple with $250,000 in a traditional IRA and another $250,000 in a Roth IRA. Without attempting to strategically locate assets, the couple has a 70/30 bond allocation in both retirement accounts. The blended annual return in each account is 8.5%, resulting in $2.15 million in pre-tax and $2.15 million in Roth at age 65.

> But putting asset location to work makes the forecast much different for that same couple. By putting 100% of bonds ($150,000) and $100,00 of stocks in the traditional IRA and putting 100% of stocks ($250,000) in Roth, the 70/30 allocation remains the same and equals the aggregate risk from the other scenario. With a blended annual return of 8.5% for both accounts, at age 65 the couple will have $1.6 million in pre-tax and $2.7 million in Roth.
>
> **That means the couple shifts $550,000 of growth from the traditional IRA to Roth, reducing RMDs throughout their retirement while also providing additional tax-free Roth assets.**

For advisors, this is an important reminder that tax planning isn't only about distributions. Portfolio construction decisions matter too. In this example, it translated to hundreds of thousands of dollars in tax-free growth territory.

Qualified Charitable Distributions Still Deliver Value

Qualified charitable distributions (QCDs) remain one of the most effective ways to reduce retirees' adjusted gross income while satisfying philanthropic goals.

See the adjacent Holistiplan modeling, which shows how a retired couple leveraged a $50,000 QCD to ultimately save more than $9,000 in federal taxes.

See ilustrative charts below ↓

QCDs – Lowering Income and Maximizing Deductions
Example 1

- A QCD reduces AGI by $50,000
- Now getting full Standard Deduction of $35,500 on top of $50,000 AGI reduction, compared to base case of $48,845 itemized deduction coming from $50,000 cash gift.
- Lower AGI increases Enhanced Deduction for Seniors
- Taxable Income is $42,655 lower

	SCENARIO 1 **Tax Year 2026 - Cash Gift**	**CHANGE** Scenario 1 → Scenario 2	SCENARIO 2 **Tax Year 2026 - Gift of Appreciated Securities**
INCOME			
Total Income	$ 760,000	$ **250,000**	$ 510,000
SHEDULE A - ITEMIZED DEDUCTIONS			
Standard/Itemized Deductions	$ 296,200	$ **1,250**	$ 297,450

In example 1, the QCD lowered the couple's AGI, which can enhance deductions, improve Medicare premium outcomes, and lower taxes on Social Security benefits.

QCDs – Helping Charities and Saving Taxes
Example 2

By reducing their income and increasing their deductions, the QCD of $50,000 will save the couple $9,384 in Federal Taxes

	SCENARIO 1 **Tax Year 2026 - Cash Gift**	**CHANGE** Scenario 1 → Scenario 2	SCENARIO 2 **Tax Year 2026 - Gift of Appreciated Securities**
FEDERAL WITHHOLDING CALCULATOR			
Total Tax	$ 28,997	$ **9,384**	$ 19,612
STATE TAX WITHHOLDING CALCULATOR			
Total State Tax	$ 7,169		$ 7,169

The Widow's Penalty Is Often Ignored Until It's Too Late

One of the more under-discussed planning risks for affluent households is the widow's penalty.

When one spouse dies, the surviving spouse often keeps much of the same income, but loses the benefit of married filing joint tax brackets. That can mean the widow will experience higher marginal taxes, increased Medicare IRMAA surcharges, larger RMD burdens, and reduced deductions and credits.

Continue↓

MFJ to Single Filing Status
Example 1

	SCENARIO 1 **Tax Year 2026 - MFJ**		SCENARIO 1 **Tax Year 2027 - Single**	
Tax-Exempt Interest	$	1,000	$	1,000
Taxable Interest	$	2,000	$	2,000
Qualified Dividends	$	10,000	$	10,000
IRA Distributions	$	99,010	$	104,848
Gross Social Security	$.	60,000	$.	40,000

MFJ to Single Filing Status
Example 2

SCHEDULE A - ITEMIZED DEDUCTIONS				
Standard/Itemized Deductions	$	35,000 (standard)	$	18,635 (standard)
ADDITIONAL DEDUCTIONS				
Total Additional Deductions	$	10,319	$	1,329
QUALIFIED BUSINESS INCOME (QBI)				
QBI Deduction	$	0	$	0
Taxable Income	$	118,191	$	132,884

Advisors Should Plan for This Early

Taylor laid out five strategies for mitigating the widow's penalty.

1. Maximize roth conversions in the final married filing jointly (MFJ) year.
2. Consider taking excess distributions in the final MFJ year to maximize the more favorable brackets.
3. Take advantage of the full $500,000 home sale exclusion up to two years after the spouse's death.
4. Consider alternative spousal inheritance strategies, like assuming the role of the deceased spouse if he/she was younger.
5. Allow unneeded IRA assets to pass to contingent beneficiaries—if they are older and close in age—to begin two 10-year windows.

The main thing, Taylor said, is that widow penalty planning should begin years in advance as joint brackets are still available—not once a death occurs.

The SECURE Act Changed Legacy Planning Forever

Before the SECURE Act, beneficiaries could stretch inherited IRA distributions over decades.

Now, most non-spouse beneficiaries must empty inherited IRAs within 10 years. That creates a major planning issue for high-income heirs who may already be in peak earning years.

Waiting until Year 10 to distribute a large inherited IRA could trigger enormous tax consequences, affect Medicare premiums, and even impact college financial aid calculations.

Why Roth Conversions Are Gaining Momentum

Roth conversion planning is becoming more and more popular as it maximizes lower marginal brackets and supercharges a Roth allocation that can grow and be used during retirement, or passed to the next generation tax-free.

Here's an example to demonstrate.

A 65-year-old single retiree has $2 million in traditional IRA assets and $3 million in taxable assets. Conventional wisdom says he should use his taxable assets to cover cash flow needs prior to RMDs beginning at age 73. But allowing his IRA to grow untouched leaves the retiree with RMDs between $170,000 and $300,000+ throughout retirement. That would place him in the 32-35% federal marginal tax bracket.

However, by proactively taking distributions of about $100,000 from his traditional IRA every year, the retiree maximizes the 22% federal marginal tax bracket while trimming the growth of the retirement account. He continues taking distributions from his taxable portfolio, too, realizing capital gains between $50,000 and $75,000 annually. That reduces his IRA balance, and it lowers his RMD range to $100,000-$200,000 throughout retirement, likely placing him in the 24% federal marginal bracket.

By strategically filling lower brackets, the retiree has the potential to save hundreds of thousands of dollars in taxes. With those kinds of numbers, Roth planning isn't just a retirement income strategy, it's a legacy planning strategy.

Estate Planning Still Matters—Even for Clients Below Federal Exemption Levels

Many clients assume estate planning only matters for ultra-wealthy families subject to federal estate tax. That's a dangerous misconception.

Outdated documents, beneficiary issues, state estate taxes, succession problems, and trust coordination gaps can create enormous headaches regardless of estate size.

Considering the complexity of estate planning, Taylor offered lists of the best and worst assets to leave heirs.

Best Assets to Leave Heirs

- **Cash:** Easy to divide and access; no administrative burden
- **Cash substitutes** (i.e. life insurance, POD/TOD accounts, CDs, MMAs): Bypass probate, fast, predictable transfers
- **Brokerage accounts:** Simple to value and divide; receive step-up in basis for minimal capital gains
- **Roth IRAs:** Tax-free withdrawals for heirs; ideal for multigenerational planning
- **Assets held in trust:** Protects from creditors, divorce, overspending, and family conflict; ensures controlled distributions
- **(For HNW clients) Depreciating assets:** Can strategically reduce a taxable estate when exemptions may be exceeded

Worst Assets to Leave Heirs

- **Traditional IRAs and tax-deferred accounts:** Must be emptied within 10 years; can spike heirs' taxable income
- **HSAs (to non-spouse heirs):** Immediately taxable; lose all HSA tax benefits
- **High-maintenance or problematic real estate:** Ongoing costs, repairs, taxes, insurance, co-owner conflict, or environmental issues
- **Iliquid or complex investments:** Hard to manage or value (private equity, LPs, business interests, structured products)

Continue↓

- **Collectibles and sentimental property:** Difficult to sell, uncertain valuations, often trigger major family disputes
- **Operating businesses (without a succession plan):** Heirs may lack skill or interest; business value can collapse
- **Timeshare and fractional ownership:** Ongoing fees, limited demand, messy to disclaim
- **Cryptocurrency and digital assets:** Easily lost without keys; complex tax and technical barriers
- **Guns or regulated items:** Complicated legal transfer rules; high risk if mishandled
- **Uninsured or underinsured property:** Can become a liability instead of an asset

For advisors, this reinforces the importance of reviewing not just account balances, but asset location, titling, beneficiary designations, and transfer efficiency.

The Real Differentiator: Coordinated Planning

Many affluent households have no central coordinator managing the intersection of taxes, investments, retirement income, and estate planning. That disconnect creates planning inefficiencies everywhere.

Investment decisions affect taxes. Tax decisions affect Medicare. Estate planning affects retirement distributions. Retirement distributions affect heirs.

What does that mean for you? It means that advisors need to be able to integrate investment management, retirement and income planning, and tax and estate planning.

Become the Comprehensive Advisor Your Clients Need

The modern high-net-worth client doesn't just need portfolio management anymore. They need tax-aware coordination.

The advisors who stand out over the next decade will likely be the ones who can identify hidden tax risks before they become permanent wealth erosion events. That means moving beyond reactive planning and into proactive modeling, distribution strategy, Roth conversion analysis, charitable planning, and estate coordination.

Because for many affluent households, the biggest planning risk today isn't failing to grow wealth.

It's failing to keep it.

Get Started Now

> "The only way you're going to do it is modeling it out and using Holistiplan. Period... You must use this software to model out all these types of permutations so that you can be delivering to the client the level of services that they need and so that you can save them literally millions of dollars in taxes."
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Holistiplan can help you become that comprehensive advisor. The software provides the infrastructure CPAs need to deliver institutional-quality tax planning without adding staff or complexity. With it you'll be able to take your advisory services to the next level, uncovering planning opportunities your competition missed.

What You Get:

- Automated multi-year projections
- Roth conversion analysis with breakeven calculations
- Social Security claiming strategies
- Client-ready reports in minutes
- Ongoing training and support

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