Retirement Blueprint
Episode 22

RSUs, ISOs & Stock Options: The Hidden Risk

Transcript
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Stock compensation can change your life.

It can also quietly put your entire financial future at risk.

Same asset. Very different outcomes.

Today, we're talking about when stock compensation helps build wealth—and when it slowly and silently creates danger.

Stock compensation feels different from a paycheck.

It feels earned. Personal. Almost like a vote of confidence.

And because it feels different, people treat it differently.

That emotional attachment is exactly what makes stock compensation one of the biggest concentration risks for high earners.

Let's unpack why.

Today, we'll cover:

Why stock compensation creates hidden concentration risk
The emotional traps that keep people from diversifying
How taxes influence—but shouldn't dominate—decisions
When holding company stock makes sense
And when it doesn't

Plus, I'll share a real-life story about waiting too long.

Why stock compensation feels different

RSUs, ISOs, and stock options often feel like "extra" money.

They feel like upside.

And they usually come attached to a story:

"I helped build this."
"This company changed my life."
"I believe in where we're going."

That story creates loyalty.

But loyalty is not a financial strategy.

Your paycheck already depends on your employer.

Your bonus depends on your employer.
Your benefits depend on your employer.
Your career trajectory depends on your employer.

Adding your net worth on top of that creates stacking risk.

That's not confidence.

That's concentration.

Concentration risk rarely feels dangerous

This is what makes it tricky.

When company stock is rising, compensation is increasing, and confidence is high—it doesn't feel risky.

But that's often when the risk is greatest.

If one company represents:

A large portion of your income
A large portion of your net worth
And a large portion of your future opportunity

...then one negative event can impact everything at once.

That's not diversification.

That's fragility.

The emotional trap

Here's the most common objection:

"Selling feels like I'm missing out."

That feeling is understandable.

But here's the better question:

If someone handed you this amount in cash today, would you invest all of it into this one stock?

If the answer is no, then holding it is already an active decision.

Not selling is still a choice.

Taxes matter—but risk matters more

Taxes are real.

But taxes should inform decisions—not paralyze them.

Many people avoid diversifying because they don't want to pay capital gains taxes.

But avoiding taxes today can expose you to far greater risk tomorrow.

Taxes are a cost.

Concentration is a threat.

The goal isn't to eliminate taxes.

It's to manage risk intelligently.

Different stock compensation types

Different compensation structures create different planning considerations:

RSUs
Typically taxed as ordinary income when they vest.

ISOs
Can trigger alternative minimum tax exposure.

Non-qualified stock options
Usually taxed upon exercise.

Each structure requires thoughtful coordination.

But none of them eliminate concentration risk.

Because the underlying issue isn't the vehicle.

It's the exposure.

Why people wait too long

Most people don’t intentionally decide to hold concentrated positions forever.

They wait.

They wait for:

A better tax year
A higher stock price
More clarity
The next vesting cycle

And waiting feels harmless.

But time increases exposure.

And exposure compounds faster than regret.

Instead of asking:

“Should I sell everything?”

Ask:

“What role should this stock play in my overall financial plan?”

Is it:

A core holding?
A growth position?
A temporary windfall to diversify?

Once that role is clearly defined, decisions become easier—and calmer.

A real-life example

Mark was a senior executive at a fast-growing technology company.

At one point, 68% of his net worth was tied to company stock.

The stock had performed incredibly well.

So he waited.

Then the market turned.

The stock dropped.
Bonuses were cut.
Stress skyrocketed.

Everything was tied to a single outcome.

We didn't panic.

We built a structured diversification strategy:

Gradual sales
Tax-aware timing
Clear reallocation targets

Later, Mark told me:

"Glenn, I didn't realize how exposed I was until it hurt."

And that's usually how concentration risk reveals itself.

Final takeaway

Selling company stock doesn't mean you've lost faith in your company.

It means you believe in protecting your future.

Your career already gives you concentrated exposure.

Your portfolio should provide protection.

Healthy stock compensation planning means:

No single stock dominates your net worth
Taxes are managed—not avoided
Decisions are intentional—not emotional
Diversification happens gradually and strategically

That creates resilience.

And resilience creates confidence.

The greatest risk with stock compensation isn't volatility.

It's overconfidence.

During good times, stock compensation can become an incredible wealth-building tool—but only when managed intentionally.

Your employer should support your financial future.

Not define it.

And when stock compensation is integrated into a broader financial plan, it becomes a benefit—not a burden.