Retirement Blueprint
Episode 19

Hidden Tax Traps High Earners Miss

Transcript
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High-income professionals don't usually have an income problem.

They have a tax coordination problem.

You can earn $500,000 a year, do everything you're supposed to do—max out your retirement accounts, work with a CPA—and still quietly give away hundreds of thousands of dollars more than necessary.

Not recklessly—but predictably.

And the reason this happens isn't because you made bad decisions.

It's because you made good decisions… in isolation.

Today, we're going to talk about the biggest mistakes doctors and executives make—why they're so common—and how they quietly compound over an entire career.

Most people believe tax mistakes come from negligence.

They don't.

They come from incomplete planning.

Tax preparation tells you what you owed last year.

Tax planning determines what you'll owe over the rest of your life.

And most high earners are only doing half the job.

They’re filing correctly.
They’re paying on time.
They’re maximizing deductions.

But they’re not coordinating decisions across decades.

And that’s where the real money is lost.

Here’s what we’ll cover:

Why deferring taxes isn’t always smart
The danger of too much pre-tax money
Why marginal tax planning matters more than averages
How income sources collide later in life
And a real story about a surgeon who thought he was tax-efficient—until we ran the numbers

Let’s start with the mistake that drives most of the others.

High earners love pre-tax accounts:

401(k)s, profit-sharing plans, cash balance plans, defined benefit plans.

Deferral feels smart.

You lower your taxable income today and keep more money working for you.

But here’s the problem:

Deferring taxes doesn’t eliminate them—it simply moves them forward.

And when you push taxes into the future without a long-term strategy, you often push them into a worse environment:

Higher account balances
Fewer deductions
Less flexibility
More forced income

Deferred dollars don’t disappear—they accumulate.

And eventually, the IRS forces you to take them out.

Many doctors and executives retire with millions in traditional IRAs and 401(k)s, very little in Roth accounts, and almost nothing in flexible, after-tax assets.

That means every dollar of retirement income becomes taxable.

Withdrawals are taxed.
Social Security becomes taxable.
Medicare premiums increase.
Capital gains stack on top.

This creates a domino effect.

Not because you saved too much—but because everything is taxed the same way.

This isn't a savings problem.

It's a tax diversification problem.

Tax diversification means having money in different "tax buckets":

Money that will always be taxed
Money that may be taxed
Money that will never be taxed

Without that balance, retirement becomes a series of forced moves.

You don't choose when to take income—the IRS does.

Most high earners focus on their effective tax rate.

They look at the average percentage they paid and assume that tells the whole story.

It doesn't.

Planning doesn't happen at the average.

It happens at the margins.

One additional dollar of income can:

Push you into a higher tax bracket
Trigger Medicare IRMAA surcharges

Increase how much of your Social Security is taxed
Phase out deductions or credits

Two people can have the same effective tax rate—and completely different outcomes.

Marginal planning is where high earners quietly lose the most money.

During your working years, income feels manageable:

Salary, bonuses, stock compensation.

But in retirement, income stacks:

Required minimum distributions
Social Security
Investment income
Capital gains

Each source seems manageable on its own.

Together, they create tax compression.

And once that happens, there are very few levers left to pull.

That's why timing matters more than tactics.

Most people think Roth accounts are about this year's tax bill.

They're not.

They're about control over future tax bills.

Control over:

Tax brackets
Medicare premiums
Withdrawal sequencing
Legacy planning

Roth money gives you flexibility—when everything else becomes rigid.

Yet many high earners barely use Roth strategies.

Not because they don't want to—but because no one has mapped out when they make sense.

Most people have a short window where Roth planning is incredibly powerful:

After retirement
Before Social Security
Before RMDs begin

If you miss that window, the opportunity shrinks dramatically.

Let me give you an example.

Michael was a specialist in his early 50s, earning over $600,000 a year.

Extremely disciplined. Aggressive saver.

Every available dollar went into pre-tax accounts.

He told me, "I assume we're doing everything right."

But when we ran long-term projections, the picture changed.

His required minimum distributions pushed him into a higher tax bracket than he had while working.

His Medicare premiums increased.

His Social Security became heavily taxed.

And his flexibility disappeared.

He didn't do anything wrong.

He just never coordinated the timing.

By restructuring when taxes were paid—not how much he earned—we reduced his projected lifetime tax bill by over $400,000.

He said, "I had no idea timing mattered this much."

It does.

In many cases, it matters more than anything else.

Final takeaway

Tax efficiency isn't about paying the least tax this year.

It's about controlling taxes across decades.

High income magnifies mistakes—but it also magnifies smart planning.

If you want real tax confidence, you don't need more deductions.

You need coordination.

Because taxes don't punish success.

They punish unplanned success.

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