

YOUR HIDDEN RETURN

A TAX PLANNING CHECKLIST FOR WEALTH BUILDERS

Growing wealth is essential to long-term financial security. Being thoughtful about taxes can help you keep more of what you earn.

When people think about building wealth, earnings and investment performance are often the first things that come to mind. But returns are only part of the big picture. Taxes can have a significant impact on how much of your wealth you're ultimately able to keep and put toward your goals.

Good tax planning isn't about chasing deductions or looking for a quick fix at year-end. It's about understanding the tax implications of financial decisions before you make them—and looking for opportunities that make sense within your broader financial plan. Proactive and adaptable tax planning requires the same thoughtfulness and attention that investing requires.

For high earners, business owners, executives, and investors, that often means looking beyond their accountant and annual tax return. Investments, income, retirement accounts, charitable giving, and estate planning can all affect your tax picture, and decisions in one area may have consequences elsewhere. Additionally, staying current with tax law changes and understanding the potential for future changes in tax law can be challenging. That's why we offer and can incorporate tax planning into our client relationships.

**Do you need greater attention and focus
on your tax planning?**

Please use this checklist to identify topics worth discussing with your financial, tax, and legal professionals.



1. Take a Closer Look at Your Investments

Taxes shouldn't drive your investment decisions. But they are an important factor worth considering as part of your overall investment strategy.

Tax-Loss Harvesting

Tax-loss harvesting involves selling investments at a loss to help offset capital gains.¹

Periods of market volatility may create opportunities to review positions with unrealized losses.¹

- ☐ **Do you own investments that are currently worth less than what you paid for them?**
- ☐ **Could realizing certain losses help offset capital gains elsewhere in your portfolio?**
- ☐ **Have you considered wash-sale rules before repurchasing the same or a substantially identical investment?**
- ☐ **If your realized losses exceed your gains, have you discussed how those losses may be used or carried forward?**

Tax-loss harvesting isn't appropriate in every situation. Transaction costs, portfolio objectives, wash-sale rules, and the potential for future appreciation should all be considered before making a change.

1. Internal Revenue Service, Publication 550: <https://www.irs.gov/publications/p550>

Capital Gains

An appreciated investment can create a tax consequence when it's sold. Understanding that potential impact beforehand can help you make a more informed decision.¹

- ☐ Which investments in your portfolio have significant unrealized gains?
- ☐ Have you considered the potential tax impact before making a large sale or portfolio change?
- ☐ Are any holdings approaching the holding period required for long-term capital gains treatment?
- ☐ If your taxable income is lower than usual this year, have you discussed whether realizing certain gains could make sense?

Asset Location

You may spend plenty of time thinking about what you own. It's also worth considering where you own it.

Different investments have different tax characteristics. In some circumstances, strategically locating investments among taxable, tax-deferred and tax-free accounts may support greater tax efficiency. The appropriate approach depends on your investment strategy, time horizon, liquidity needs and individual tax situation.

- ☐ Have you reviewed which investments are held in each type of account?
- ☐ Have you considered the tax characteristics of the investments held in your taxable and retirement accounts?
- ☐ Does your asset-location strategy still align with your investment allocation and liquidity needs?

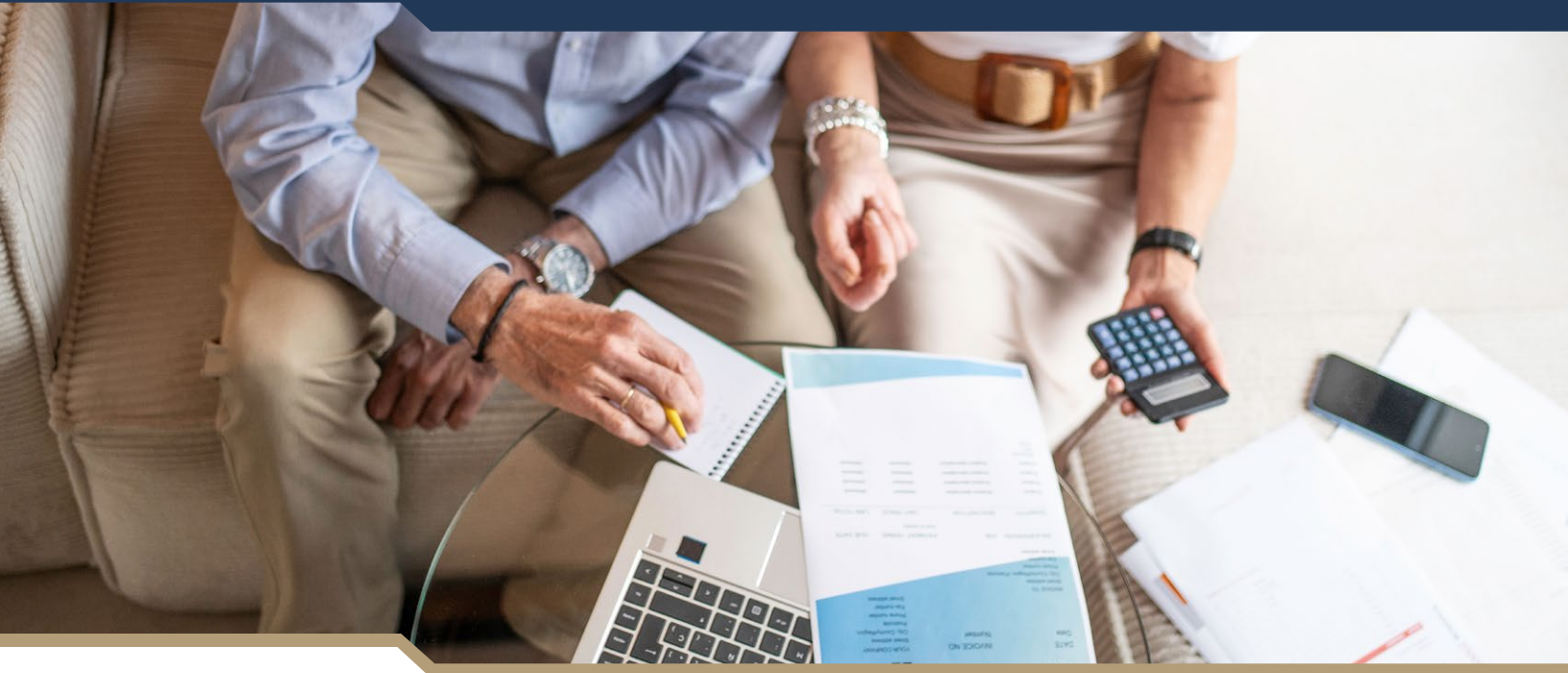
Concentrated Positions

A highly appreciated stock can present both an investment risk and a tax-planning challenge.

- ☐ Does a single stock or investment represent a significant portion of your portfolio?
- ☐ Have you considered the risks of continuing to hold the position alongside the potential tax consequences of selling?
- ☐ Have you discussed strategies for diversifying the position while considering the potential tax impact?

Ask yourself:

Am I considering both investment objectives and potential tax consequences when making portfolio decisions?



2. Take a Longer View of Income and Retirement

Your tax picture can change considerably from one year to the next. A bonus, business distribution, stock award, sale, retirement, or other financial event may change which tax planning strategies are worth considering.

That's why proactive tax planning means looking beyond a single calendar year.

Retirement Contributions

Retirement plan and IRA contribution limits vary by plan type and are subject to annual limits. Certain individuals may also be eligible to make additional catch-up contributions.²

- ☐ Are you taking full advantage of the retirement savings opportunities available to you?
- ☐ Are you capturing the full employer match, if one is available?
- ☐ If you're a business owner or self-employed, have you reviewed whether your current retirement plan continues to align with your needs and objectives?
- ☐ If you're eligible for catch-up contributions, have you considered whether making them fits your financial plan?

Roth vs. Traditional

Choosing between Roth and traditional retirement contributions involves more than deciding whether to pay taxes today or in retirement. Current and expected future tax rates, income, time horizon, cash flow and estate-planning goals may all factor into the decision.

- ☐ Does your current mix of pre-tax and Roth savings still make sense for your circumstances?
- ☐ Are you expecting your income or tax situation to change significantly in the years ahead?
- ☐ Could a lower-income year warrant a conversation about a Roth conversion?
- ☐ If you're considering a conversion, have you evaluated the immediate tax consequences and how it fits into your longer-term plan?

A Roth conversion generally requires previously untaxed amounts converted from a traditional IRA to be included in gross income for the year of the conversion.³ Whether a conversion is appropriate depends on your individual circumstances.

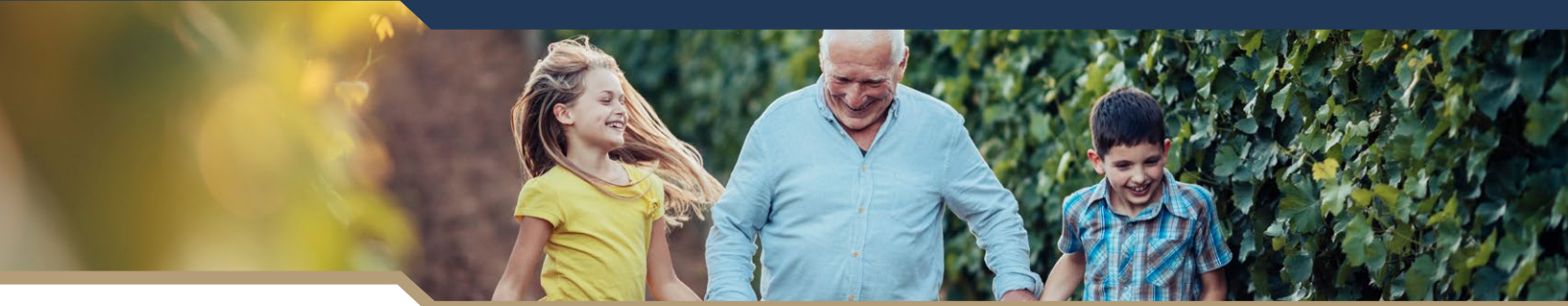
Timing Your Income

You can't always control when income arrives. When you do have flexibility, however, timing may be worth considering.

- ☐ Do you expect your taxable income to be substantially higher or lower next year?
- ☐ Is there flexibility around the timing of certain income or deductions?
- ☐ Have bonuses, equity compensation, business income, and other variable sources of income been factored into your plan?
- ☐ Is a business sale, retirement, or other significant financial event on the horizon?

Ask yourself:

Am I considering how today's tax decisions could affect my financial picture in the years ahead?



3. Be Intentional About Giving and Legacy

Charitable giving and estate planning are personal decisions first. Taxes may be an important consideration, but they shouldn't be the only one.

The goal is to understand how different approaches could affect your financial plan so you can make decisions that support the people, organizations and causes that matter to you.

Charitable Giving

If you're already planning to give, the assets you give and the timing of your gifts may have different tax consequences. The tax treatment of noncash charitable contributions, including appreciated property, depends on several factors.⁴

- ☐ Do you typically give cash even though you own appreciated investments?
- ☐ Have you discussed whether combining multiple years of charitable giving could make sense for your situation?
- ☐ Could a donor-advised fund fit your charitable goals and overall financial plan?⁵
- ☐ If you're eligible, have you discussed qualified charitable distributions with your tax professional?⁶

Tax treatment varies based on the type of gift, the recipient organization, and your individual circumstances. Charitable strategies should be evaluated with a qualified tax professional.

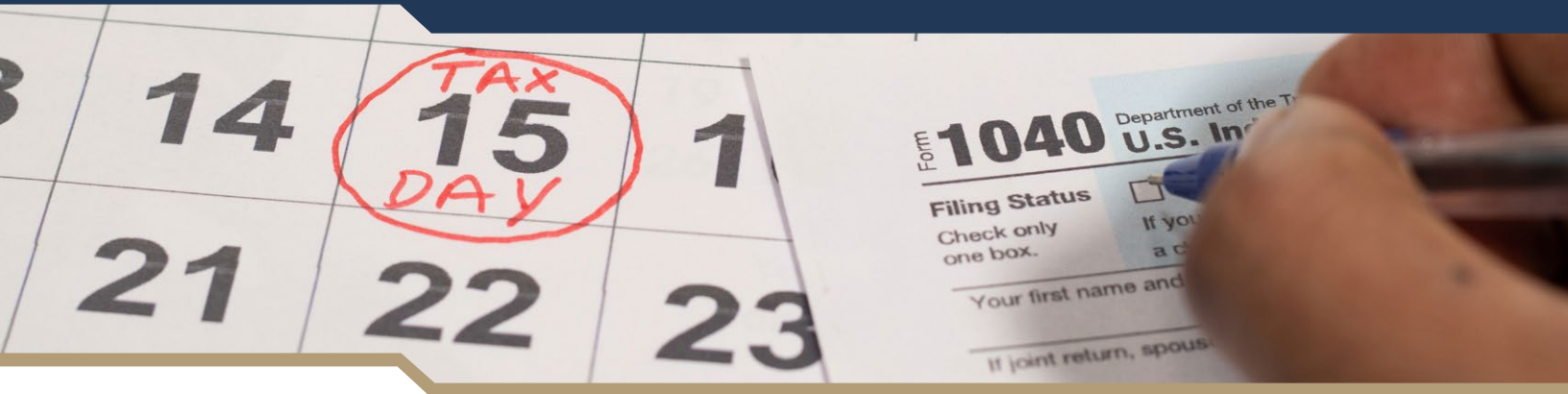
Estate & Legacy Planning

An estate plan shouldn't necessarily be something you create once and never revisit. Changes in your family, finances, business interests or applicable laws may warrant another look.

- ☐ When was the last time you reviewed your estate documents?
- ☐ Are the beneficiaries listed on your retirement accounts, insurance policies, and other assets still consistent with your wishes?
- ☐ Have there been meaningful changes in your family, finances, or business since your plan was created?
- ☐ If you're considering gifting appreciated assets, have you discussed the potential tax and estate-planning consequences?⁷
- ☐ If you have a substantial estate, have you recently reviewed your gifting and estate strategy with your legal and tax professionals?

Ask yourself:

Are my financial, tax, and estate-planning decisions being considered together?



4. Keep Tax Planning on the Calendar

One of the limitations of waiting until tax season is that many decisions affecting your tax return have already been made.

Periodic conversations throughout the year can give you and your advisors more time to evaluate potential strategies before taking action.

Throughout the Year

- ☐ Keep your financial and tax professionals informed when your income or financial situation changes.
- ☐ Revisit estimated tax payments following a meaningful change in income.
- ☐ Consider the potential tax consequences before selling a highly appreciated investment.
- ☐ Review whether market movements have created tax-loss harvesting opportunities that are appropriate for your portfolio.
- ☐ Discuss the potential tax implications of significant financial transactions before they occur.

Before Year-End

- ☐ Review the capital gains and losses you've realized so far.
- ☐ Check your retirement contributions and any remaining contribution opportunities.
- ☐ Revisit your charitable giving plans.
- ☐ Discuss whether a Roth conversion is worth considering.
- ☐ Confirm required minimum distributions have been addressed, if applicable.⁸
- ☐ Review beneficiary designations and estate-planning documents.
- ☐ Think ahead to significant financial events you expect in the coming year.

When Tax Season Arrives

- ☐ Give your tax professional context around meaningful investment, business and life changes—not just your tax documents.
- ☐ Discuss significant changes that occurred during the previous year.
- ☐ Review the tax-planning strategies you implemented and their actual results.
- ☐ Identify topics worth addressing earlier in the current tax year.

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The Return You Don't See on a Statement

Building wealth isn't just about investment performance.

It's also about making informed decisions around the wealth you've accumulated—how you invest, where assets are held, when income and gains are recognized, how you give and how your assets may eventually pass to others.

Thoughtful tax planning can be one part of that process. While no tax strategy can guarantee a particular outcome, understanding the tax implications of your financial decisions can help you evaluate your options more completely.

Before your next planning conversation, consider three questions:

What changed?

Did your income, investments, business, family or financial priorities change over the past year?

What's coming?

Are you approaching retirement, considering the sale of a business, receiving equity compensation, expecting a significant capital gain or anticipating another major financial event?

Is everyone on the same page?

Do your financial, tax, estate and legal professionals have the information they need to understand your broader financial picture?

Coordination among your professionals can help ensure that decisions in one area are considered alongside their potential implications elsewhere.

Take a Closer Look at Your Tax Strategy

If this checklist raised questions about your current approach, consider discussing them with us. At Sonoma Wealth Advisors, we believe a broader planning conversation may help you identify areas that deserve additional attention and determine which strategies, if any, are appropriate for your unique circumstances.

[Schedule a No Cost, No Obligation Planning Conversation >](#)



Sources

1. Internal Revenue Service, *Publication 550: Investment Income and Expenses*, including guidance regarding capital gains and losses and wash sales.
2. Internal Revenue Service, *Retirement Topics – Contributions and Retirement Topics – Catch-Up Contributions*.
3. Internal Revenue Service, *Publication 590-A: Contributions to Individual Retirement Arrangements (IRAs)*, "Converting From Any Traditional IRA Into a Roth IRA."
4. Internal Revenue Service, *Charitable Contribution Deductions*, including guidance regarding contributions of property.
5. Internal Revenue Service, *Donor-Advised Funds*.
6. Internal Revenue Service, *Publication 590-B: Distributions from Individual Retirement Arrangements (IRAs)*, "Qualified Charitable Distributions."
7. Internal Revenue Service, *Publication 551: Basis of Assets*, including guidance regarding property received as a gift and inherited property.
8. Internal Revenue Service, *Retirement Plan and IRA Required Minimum Distributions FAQs*.

IRS guidance and tax laws are subject to change. Sources accessed August 2026.

Important Information

This material is provided for informational and educational purposes only and should not be construed as individualized investment, tax or legal advice or as a recommendation to engage in any particular strategy or transaction. The tax-planning strategies discussed may not be appropriate for every individual and may involve risks, limitations and tax consequences not discussed here. Tax laws and regulations are complex and subject to change. You should consult with qualified tax and legal professionals regarding your individual circumstances before taking action. Investment decisions should be based on your individual objectives, time horizon and risk tolerance. Past performance does not guarantee future results.