FAIRPOINT
Wealth Management

A PRACTICAL BRIEFING FOR HIGH EARNERS

Can You Retire Earlier Without Letting Company Stock Create a Tax Problem?

The equity-compensation checklist used with Northeast Ohio professionals and executives.

Fairpoint Wealth Management, LLC
Independent · Fee-Only · Fiduciary
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Who this guide is for

This is written for high-earning professionals and executives in Northeast Ohio — and similar clients nationwide — whose wealth is tied to a paycheck, a 401(k), and a growing pile of company stock.

If a meaningful part of your net worth is in RSUs, stock options, an ESPP, deferred compensation, or concentrated employer stock, a generic "retirement checklist" will miss the issues that actually decide whether you can leave work earlier. The question is not only "Do I have enough?" It is "Can I convert a concentrated, tax-messy compensation package into a durable income plan without creating a needless tax bill or an unrecoverable concentration risk?"

This briefing is most useful if you:

- Earn well into six figures and receive equity or complex benefits, not just a salary.
- Want to retire earlier than a traditional 65–67 timeline — or at least know whether that is realistic.
- Have watched company stock become a large share of your net worth and are unsure when to sell.
- Are approaching a promotion, blackout window, job change, or vesting cliff that will change your tax picture.
- Want a fee-only fiduciary opinion rather than a product pitch.

It is less useful if you want stock-picking, market timing, or a mass-market robo experience. Fairpoint is a boutique practice. The work is selective on purpose.

How to use this

Read it once. Then complete the one-page worksheet at the end before a 20-minute conversation. The worksheet is designed to surface the two or three issues that actually matter in your situation — so the first call is specific, not generic.

The problem most checklists ignore

Salary, bonus, and 401(k) contributions are familiar. Equity compensation is different. RSUs become ordinary income when they vest — whether you sell or not. Options can create AMT or a cash crunch if exercised poorly. ESPP shares have holding-period rules that change the tax character of the gain. Deferred compensation can pile into one high-tax year if the distribution election was made years ago and never revisited.

Layer early retirement on top of that and three more issues appear: healthcare before Medicare, a multi-year tax map instead of a single "retirement date," and the risk that one employer's stock, bonus, and career are the same bet.

The professionals who get this right treat equity as a funding source for independence — not as a loyalty test or a lottery ticket.

Seven questions that decide whether earlier retirement is realistic

If you can answer these with numbers, not vibes, you are ahead of most high earners. If you cannot, that is the planning work.

1. What share of your net worth is one company's stock?

A common working threshold: once a single stock is more than about 10–15% of liquid net worth, you are making a concentrated bet whether you meant to or not. Many executives drift to 30–60% because they never sold at vest and the stock ran. Comfort with the company is not the same as a prudent portfolio.

2. What happens to unvested equity if you leave?

Plan documents — not offer letters — control this. Some awards continue or accelerate at “retirement” as the company defines it (often age plus years of service). Others vanish. Leaving 18 months too early can forfeit a grant that was funding the plan.

3. Will vesting or option exercises spike your tax bracket in the years you hope to retire?

A “quiet” retirement year can still include a large RSU vest, a deferred-comp payout, and unused vacation. That can push you into a higher federal bracket, the 3.8% NIIT, and extra Medicare tax in the exact years you wanted a low-income Roth conversion window.

4. Is your withholding actually covering the tax?

Supplemental wage withholding on RSUs is often 22% federal up to $1 million of supplemental wages in a year, then 37% above that. If your true marginal rate is 32% or 35% plus Ohio tax plus NIIT, vest-day withholding can leave a spring surprise. Selling only “enough for taxes” at 22% is a common shortfall.

5. Are you an insider — or about to become one?

Blackout windows and Form 4 optics change the toolkit. A 10b5-1 plan, set when you are not aware of material nonpublic information, can turn diversification into a rules-based process instead of a series of stressful open-window decisions.

6. What replaces employer healthcare until Medicare?

For many Northeast Ohio professionals, this is the first real cost that makes “retire at 55” feel expensive. COBRA, a spouse’s plan, and the ACA marketplace are different products with different premium and subsidy logic. The healthcare line item belongs in the plan before the equity sale schedule does.

7. What is the job optional for — specifically?

“Financial independence” is not a number pulled from a rule of thumb. It is a spending rate, a tax map, a healthcare bridge, and a decision about how much single-stock risk you are still willing to carry after the W-2 stops. If the lifestyle target is vague, the portfolio target will be too.

How RSUs actually get taxed

An RSU is a promise to deliver shares if you stay through the vest date. There is generally no 83(b) election on a plain RSU, because there is no property transferred at grant. At vest, the fair market value of the shares is ordinary W-2 income.

- Income at vest = shares vested × fair market value on the vest date.
- That amount hits your W-2 even if you hold every share.
- Your cost basis in the shares is that same vest-date value.
- After vest, further gain or loss is capital — short-term or long-term depending on how long you hold after vest.
- Employer withholding is often share-withholding or sell-to-cover at the supplemental rate, which may be below your true combined rate.

The working rule many fiduciaries start from

If you would not write a check today to buy that much of your employer's stock, holding RSUs after vest is usually a concentration decision — not an investment thesis. Selling at vest and paying the tax you already owe is often the clean default. Deviations should be deliberate: a written concentration limit, a 10b5-1 schedule, or a specific liquidity event.

Options, ESPP, and deferred compensation — the traps

Incentive stock options (ISOs)

ISOs can produce long-term capital gain if you meet the holding periods (generally two years from grant and one year from exercise). The spread at exercise can still create alternative minimum tax. Exercising a large block in one year "to start the clock" is how some executives generate an AMT bill and a cash crunch at the same time. A multi-year exercise map is usually better than a heroic one-year exercise.

Nonqualified stock options (NQSOs)

The spread at exercise is ordinary W-2 income. After that, the tax profile looks more like RSUs. Cashless exercise is convenient and often expensive if it coincides with a high-income year you were trying to keep clean for Roth conversions or ACA subsidy math.

Employee stock purchase plans (ESPP)

The discount is attractive. The holding-period rules determine how much of the gain is ordinary income versus capital gain. Selling immediately is simple. Holding for qualifying disposition treatment can be worth modeling — but not if it quietly pushes you through your concentration limit.

Nonqualified deferred compensation (NQDC)

Elections are often irrevocable and made years before the money arrives. A payout scheduled for the first years after you leave can collide with RSU acceleration, severance, and unused equity. Review the election file before you announce a date. Changing the date after you leave is frequently impossible.

Company stock inside a 401(k) — NUA

Net unrealized appreciation treatment can convert part of employer stock in a qualified plan from ordinary-income treatment to capital-gain treatment, but only if a strict set of rules is met (including a lump-sum distribution of the plan in one tax year and distribution of actual shares). It is powerful when it fits and permanently lost when a rollover is done first "to keep things simple." Do not roll company stock out of a 401(k) until this is checked.

If you cannot sell whenever you want

Once you are an insider, open trading windows shrink. A 10b5-1 plan is a pre-set formula — dates, share counts, or price rules — adopted when you do not possess material nonpublic information. Done well, it is not a legal checkbox. It is how diversification happens during blackout periods without a quarterly debate with yourself.

- Adopt the plan in a clean window, with the cooling-off period your counsel requires.
- Coordinate sales with vest dates so you are not selling ISOs one day before a holding period completes.
- Build in extra share sales if 22% withholding will not cover your real tax rate.

- Set a concentration ceiling (for example, employer stock as a maximum percent of liquid net worth) and let the plan grind toward it.
- Review the plan when compensation, job title, or the retirement date changes — not every time the stock moves.

The early-retirement money map

A useful plan for this audience is a three-stage map, not a single retirement-age calculation.

Stage A — Still employed (the setup years)

Stop accidental concentration. Align withholding. Decide what happens to each unvested grant if you leave next year versus in three years. Max the obvious tax-advantaged accounts only after the equity and deferred-comp calendar is understood — otherwise you optimize the small account and ignore the large one.

Stage B — The bridge (leave-date through Medicare)

This is where early retirement is won or lost. Healthcare premiums, the ACA subsidy cliff, Roth conversion windows, and any remaining vesting or deferred-comp payouts all sit in the same years. The goal is usually a controlled taxable-income band: high enough to live, low enough to convert or realize gains on purpose.

Stage C — After 65 / required distribution years

RMDs, Social Security timing, and any leftover concentrated stock should already be smaller problems if Stages A and B were done. If most of the net worth is still in one ticker at 65, the plan was delayed, not designed.

A simple illustration (hypothetical)

Numbers below are rounded teaching examples, not a projection for any person.

Item	Common surprise	Planning move
$180k RSU vest	W-2 income whether sold or held; 22% federal withholding may be light	Sell-to-cover plus a true-up for Ohio + NIIT
$400k employer stock (25% of NW)	Career risk and portfolio risk are the same company	Written cap + scheduled sales, 10b5-1 if needed
Leave at 56	COBRA then ACA; lost employer HSA cadence	Price the healthcare bridge before the leave date
NQDC paying in years 1–3	Stacks on top of last vests	Read the election file before announcing
Roth conversions in the bridge	Killed by an unnoticed vest or payout	Build a 3-year income map first

A 4% rule applied to a portfolio that is 40% one stock is not a plan. It is an average from someone else's diversified portfolio.

One-page worksheet (bring this to the call)

Approximate answers are enough. The point is to see the shape of the problem.

1. Target leave date (month/year), if you have one: ________________________________
2. Age then: ________ Spouse/partner age then: ________
3. Current annual spending you want the portfolio to support: $ ____________________

4. Liquid investable assets excluding employer stock: $ __________________________
5. Employer stock already vested (approx. market value): $ ________________________
6. That stock as a % of your liquid net worth: ________ %
7. Unvested RSUs / options you would forfeit if you left in 12 months: $ ____________
8. Next 24 months of scheduled vests (approx. pre-tax): $ _________________________
9. Deferred compensation balance and scheduled payout years: ____________________
10. Are you subject to blackout windows or Section 16 / Form 4 reporting? Yes / No / Unsure
11. Healthcare plan if you leave before Medicare: _________________________________
12. The decision you are actually stuck on (one sentence):

____

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What a 20-minute conversation is for

Not an account opening. A direct read on whether earlier retirement is in range, which one or two equity issues are the constraint, and whether Fairpoint is the right fiduciary for the work. If it is not a fit, you will hear that.

If you want help from Fairpoint

Fairpoint Wealth Management is an independent, fee-only registered investment adviser. Matt Kircher works with a small number of professionals and executives — particularly those in Northeast Ohio with equity compensation and an earlier-retirement goal. Meetings are by video or phone. When an in-person conversation is useful, it can be over coffee in the Cleveland area or at your office.

- Start at fairpointwealth.com and request a 20-minute conversation, or call (216) 272-0514.
- Email matt@fairpointwealth.com with a few preferred times and a one-line summary of your equity package.
- Bring this worksheet. You do not need to send account statements first.

Fees, if we work together, are published on the site: tiered advisory fees on assets under management, and hourly planning when a project is the better fit. No commissions. No product shelf.

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