Executive Compensation Planning That Brings the Full Picture Together

Executive compensation can create significant opportunity, but a strong compensation package does not automatically lead to a strong financial outcome. Stock options, restricted stock, deferred compensation, retirement benefits, and taxes can each require separate decisions, and those decisions can affect what the package is ultimately worth.

Todd Doroff, Partner and COO, recalls working with an executive who appeared financially set on paper. He had a strong income, a senior title, and a large position in company stock. But when asked to explain the plan for his options, restricted stock, and deferred compensation, he realized no one had ever helped him build one. He had valuable assets, but no coordinated strategy for them.

We mapped out the vesting schedules, modeled the tax bill under several scenarios, and built a strategy to reduce risk without creating an unnecessarily large tax burden. By the end, he told us it was the first time he had actually understood his compensation. That experience highlights an important point: the same package can produce very different outcomes depending on how the decisions around it are managed.

At Fathom Advisors, we help corporate executives and senior leaders turn the many moving parts of their compensation into one coordinated strategy. Many of the people we work with have done extremely well, yet their compensation has accumulated as a collection of statements and grants rather than a plan they fully understand. Elections and deadlines add another layer of complexity. We often describe that situation as being asset-rich and plan-poor.

Our role is to put everything on one table. We outline what you have and identify when decisions need to be made. Then we model the tax impact of different choices and coordinate the decisions so they support one another instead of being handled in isolation. The goal is to help you understand what your compensation is worth, where the risks are, and how the package fits into your broader financial life.

WHY EXECUTIVE COMPENSATION REQUIRES COORDINATION

Executive compensation packages often extend well beyond salary. Stock options, restricted stock units, deferred compensation, signing grants, bonus targets, and company equity may all be part of the package. Each component may follow different rules for vesting, taxes, deadlines, and risk.

That complexity matters because one decision can affect several others. An option exercise can change your tax picture, while an RSU vest can increase your concentration in company stock. Deferred compensation elections can shape future income, and retirement contributions may create additional tax-advantaged opportunities. Pull one lever, and it can move the others.

This is why timing matters so much. Busy executives often face high-stakes decisions with fixed deadlines, and defaulting to whatever happens automatically can become a strategy by accident. We help replace that default with deliberate choices made in the context of the full package.

EVALUATING AN EXECUTIVE OFFER BEFORE YOU SIGN

One of the earliest opportunities to add value can come before you accept a new role. Two offers may look similar based on salary alone but differ significantly once the equity is understood.

We look beyond the headline number to understand what an offer may actually be worth. We review how the equity vests and what happens to unvested awards if you leave. We consider option expiration dates, current value, and how much of the stated compensation is real versus aspirational. Equity is often where much of the value sits, yet it can be one of the hardest parts of an offer to evaluate without a plan.

STOCK OPTIONS: THE STRATEGY IS USUALLY ABOUT WHEN

The first step with stock options is understanding what type you hold. Incentive stock options, or ISOs, can qualify for favorable capital gains treatment if the holding rules are met. They can also create alternative minimum tax, or AMT, exposure. Non-qualified stock options, or NQSOs, are taxed as ordinary income when you exercise.

Without guidance, executives often drift toward one of two extremes. Some sell as soon as something vests. Others wait until an option is close to expiration and action becomes unavoidable. Neither approach necessarily reflects a deliberate decision. We focus instead on timing the exercise around vesting, expiration, the stock price, and the tax impact in that year.

We have seen poorly timed exercises create tax costs that outweighed the gain, while thoughtful timing has saved substantial amounts. The decision is not simply whether to exercise the option, but when to exercise it.

We help evaluate what an option is worth today rather than relying only on the number shown on a statement. One tool is the Black-Scholes framework. It considers factors such as the time remaining, stock-price volatility, and how much the stock price has risen above the option's exercise price. The purpose is practical: to avoid exercising blindly or allowing a valuable option to expire simply because no one was watching the full picture.

For ISOs, AMT planning remains part of that process. You can exercise, continue holding the shares, and still create a tax bill on a gain you have not actually sold. Staying ahead of that possibility is an important part of the strategy.

RSUS: TREATING VESTED SHARES LIKE A COMPENSATION DECISION

Restricted stock units are more straightforward, but they still require an intentional decision. When an RSU vests, its value is taxed as ordinary income at that time whether or not you sell the shares.

We often reframe a vested RSU as a cash bonus that happened to arrive in company stock. From there, the question becomes simple: if your employer had paid you the same amount in cash, would you have used every dollar to buy more employer stock? For most people, that question changes how they think about allowing vested shares to accumulate automatically.

Tax withholding can create another issue. The default withholding on RSUs is often around 22%, which can be too low for a high earner. We plan for that possibility in advance so an under-withholding surprise does not arrive at tax time.

MANAGING THE DOUBLE EXPOSURE OF COMPANY STOCK

Concentration risk is one of the largest issues we see for executives. When a large portion of your net worth sits in employer stock, the same company may be responsible for both your income and a meaningful part of your portfolio. If the company struggles, your paycheck and your investments can feel the impact at the same time.

We sometimes describe the risk this way: your employer loves you, you love the company, and the market loves the stock. When all three are true, concentration can feel comfortable. But any one of them can change, and not always slowly. Remaining heavily concentrated means assuming those conditions will continue indefinitely, which is not a decision we want clients making by accident.

The challenge is that reducing a concentrated position often creates taxes. That can make doing nothing feel easier, but staying exposed is still a decision. We help build a measured, tax-aware path out rather than treating diversification as an all-or-nothing event.

That may mean selling down the position over several years while coordinating those sales with option exercises and RSU vesting. We may use losses elsewhere in the portfolio to offset gains. Depending on the situation, other tools can help hedge the position, generate income, or move out of it more efficiently. These can include covered calls, protective puts, exchange funds, charitable gifts of appreciated shares, or other gifting strategies.

The work is not only technical. We bring a behavioral-finance perspective to these decisions because employer stock often carries a story and a sense of loyalty to the company that helped create the wealth. That emotional connection can make action difficult. An outside perspective can help keep the focus on the whole financial picture.

DEFERRED COMPENSATION DECISIONS ARE MADE LONG BEFORE THE MONEY ARRIVES

Non-qualified deferred compensation can be a powerful planning tool. It can allow you to defer income and the related taxes into future years. That may include years when your income is lower, such as early retirement.

The tradeoff is that these decisions often need to be made well in advance. The amount you defer and the schedule for future distributions are typically set ahead of time and can be difficult to change. Those elections need to fit the broader plan rather than being made in isolation.

Employer risk matters as well. Until the deferred money is paid to you, it generally remains an unsecured promise from the company. If the employer experiences serious financial trouble, the balance could be at risk. That does not eliminate the value of deferred compensation, but it does make the amount you defer partly a question of how much exposure you are willing to have to one employer's balance sheet.

When we begin working with an executive, we sometimes find inconsistent distribution elections that require meaningful effort to right-size later. A proactive plan can help avoid those mismatches before they occur.

FINDING ADDITIONAL RETIREMENT-PLAN CAPACITY

High earners sometimes assume they have fully used their 401(k) once they reach the standard contribution limit. In some plans, however, after-tax contributions can create additional growth beyond regular pre-tax and Roth contributions.

If the employer plan allows after-tax contributions and in-plan conversions, a strategy commonly known as the mega backdoor Roth can move those after-tax dollars into a Roth account for tax-free growth from that point forward. For the right person, that can mean tens of thousands of additional dollars each year going toward tax-free growth.

This is the kind of opportunity that can quietly go unused when no one is reviewing the compensation and retirement picture as a whole. But this strategy is not available in every plan. The first step is checking the plan document to determine whether after-tax contributions and in-plan conversions are permitted.

TURNING A COMPENSATION PACKAGE INTO A PLAN YOU UNDERSTAND

The value of executive compensation planning does not come from a single decision. It comes from coordinating option exercises, RSU decisions, deferred compensation elections, and retirement contributions into one cohesive strategy.

That coordination helps close the gap between what a compensation package appears to be worth on paper and what it can ultimately deliver. Taxes, concentration risk, deadlines, and competing decisions can all affect the outcome. For executives with limited time and meaningful money at stake, our goal is to turn something that feels overwhelming into a clear plan they can understand and use.

FREQUENTLY ASKED QUESTIONS

Why Does Executive Compensation Need Its Own Financial Plan?

Stock options, RSUs, deferred compensation, employer stock, taxes, and retirement contributions can affect one another. A coordinated plan helps you make those decisions together rather than managing each piece in isolation.

What is the Difference Between ISOs and NQSOs?

Incentive stock options can qualify for favorable capital gains treatment if holding requirements are met, whereas non-qualified stock options are taxed as ordinary income when exercised.

Should I Automatically Keep My Vested RSUs?

RSUs are taxed as ordinary income when they vest whether you sell them or not. We often suggest viewing them like a cash bonus paid in company stock, then deciding whether you would use that same amount of cash to buy more employer shares.

Why is Concentrated Company Stock a Concern for Executives?

Heavy exposure to employer stock can create risk on two fronts: the company provides an executive's income while also accounting for a substantial portion of their wealth. That means a setback in company performance can affect not only the value of their holdings, but also the income they rely on.

What Should I Consider Before Making Deferred Compensation Elections?

Consider how much income to defer and when distributions should occur. Those choices should align with your broader tax and retirement plan. It's also important to remember that unpaid deferred compensation generally remains an unsecured promise from your employer.

Can High Earners Contribute More Than the Standard 401(k) Limit?

Potentially. Some employer plans allow after-tax contributions and in-plan conversions, which can support a mega backdoor Roth strategy. The first step is confirming what your specific plan allows.