



EXECUTIVE
PROGRAM

Why Smart, High-Income People Still Get Surprised at Tax Time



Damian Dunn, CFP



If you've ever opened your tax return and thought, "That's not what I expected," you're in good company. Some of the most organized, capable, financially responsible people we talk to experience that reaction at least once. Not because they forgot to file, ignored their finances, or did something wrong, but because their financial life quietly outgrew the systems designed to keep taxes predictable.

Much of the tax infrastructure in the U.S. is built around a fairly simple model: one job, one paycheck, steady income, and minimal investment activity. For many high performers, that description stopped being accurate years ago. Today, it is common to have two working spouses, bonuses or commissions, equity compensation, side income or consulting work, and investment income layered on top of wages. None of this is exotic or reckless. It is simply layered, and taxes tend to get harder, not because people are careless, but because their income becomes more complex.



Many tax surprises can be traced back to one source: withholding. Payroll withholding does a decent job of estimating taxes on a single paycheck in isolation, but it struggles to account for the full picture. It generally does not know what your spouse earns, whether you received a bonus earlier in the year, when equity vests, whether you have side income, how investment income stacks on top of wages, or whether certain credits or deductions are quietly phasing out. Each paycheck is taxed as if it exists alone, while your tax return is where everything finally meets. A helpful way to think about it is that withholding is a speedometer, while your tax return is an odometer. One shows what is happening right now; the other tells you where you actually ended up.

Because of that structure, complexity tends to stack quietly. Most tax surprises are not caused by one big mistake, but by several reasonable things interacting at the same time. A bonus withheld at a flat rate that is lower than your true marginal rate, equity income showing up at vest with withholding that does not perfectly align with your final tax bracket, investment income pushing you just over a surtax threshold, or credits and deductions phasing out as income rises can each seem minor on their own. Together, however, they can move the needle. This is often the moment frustration sets in, when people look for the error and assume payroll, software, or someone else must have dropped the ball. In most cases, no one did. The math simply did not reconcile until the end.

Timing also plays a major role in why tax surprises feel so sharp. Underwithholding does not announce itself month by month; it compounds quietly in the background and is only felt once everything is reconciled at the same time. This is especially common in the first year of higher income, the first year of equity compensation, the first year of meaningful side income, or years when multiple income streams overlap for the first time. When income changes, withholding often lags behind reality, and that gap does not show up until tax season. The result feels abrupt, even when it was building all year.

For high-income earners, a “good” tax outcome is not defined by a refund or a zero balance due. It is defined by predictability. A calm tax season usually means you had a reasonable sense of what was coming, the result made sense once you saw the numbers, there were no last-minute scrambles, and cash flow decisions were intentional rather than reactive. Chasing perfection often creates more stress than clarity. Understanding why you owed or received a



refund is usually more valuable than squeezing out one more deduction. In practice, a calm tax season is often a better outcome than a clever one.

Applications: Why mid-year matters more than April

For many high-income earners, the most useful tax conversations happen well before tax season. By the time a return is filed, the outcome is already locked in. The return itself is the explanation, not the opportunity for flexibility.

A mid-year check-in creates space to notice how the year is actually unfolding. Income that arrives unevenly, such as bonuses, equity vesting, or side work, becomes easier to evaluate when there is still time for adjustments to catch up. It also allows expectations to be reset early, which often matters more than changing the final number.

This is especially valuable in years when income changes. A raise, a new role, equity compensation, or a second income in the household can all be reasonable, positive developments that quietly push withholding out of alignment. Mid-year checks help confirm whether what is happening on paper matches what you think is happening in practice.

The goal of a mid-year check-up is not to chase a perfect tax outcome. It is to reduce uncertainty. When expectations are calibrated in advance, April becomes far less emotional, even if the final result is not perfectly neutral.

If taxes have ever felt unpredictable, that is not a sign of failure. It is information. It is a signal that your income has evolved, and your tax planning may need to evolve with it. The most effective adjustments usually happen well before April, through mid-year check-ins, better awareness of how income sources interact, and clearer expectations. When taxes surprise you, it does not mean you fell behind. More often, it means your financial life has moved forward.

