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Tax Planning: The Backbone of Your Financial Plan





Tax Planning: The Backbone of Your Financial Plan

By Heath Hightower, CFP®, Head of Advisory, Managing Partner

In 1789, Benjamin Franklin wrote that "in this world nothing can be said to be certain, except death and taxes."

More than two centuries later, the Founding Father is still right. But for something so certain, taxes get surprisingly little attention. Most investors think about them once, maybe twice, a year: a few hectic weeks around April 15 when the return is due, and perhaps a quick scramble in December to see what can still be done before the end of the year.

That's understandable. Taxes feel like a filing exercise; a form you fill out, a bill you pay or a refund you collect, and then you move on with your life for the next 11 months.

But by the time your return lands on your CPA's desk, most of the decisions that determined what you owe have already been made. Which accounts you funded. Which investments you sold, and when. Whether you gave to charity directly or through a more tax-efficient vehicle. Whether your portfolio was positioned to minimize the drag of taxes or simply built without that in mind. Your tax return doesn't create your tax bill; it reports one that was largely written months, or years, earlier.

That's the idea at the center of how we think about tax planning at Financial Synergies. It isn't a once-a-year event handled in isolation by whoever prepares your return. It's a discipline that runs through every part of your financial plan, including your investment portfolio, your retirement income strategy, and the wealth you intend to leave behind.

> Tax planning isn't a separate service; it's how we do financial planning.

Where the Opportunities Actually Live

For high-net-worth investors, tax exposure rarely comes from one source. It builds up across several areas of a financial life, and each one has its own set of strategies worth revisiting regularly, not just in December.

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Tax-efficient portfolio construction. Stocks, bonds, mutual funds, ETFs, annuities, REITs, and private investments all carry different tax characteristics, so where you hold an investment can matter as much as what you hold. That's the idea behind asset location: we place less tax-efficient holdings, like taxable bonds and REITs, in tax-deferred accounts and keep more tax-efficient investments in taxable accounts. We build and manage portfolios with those differences in mind, aiming to keep more of what your investments earn.

Capital gains management and tax-loss harvesting. The difference between short-term and long-term capital gains taxation is significant, and the decision to hold or sell an investment can carry real tax consequences. We also monitor portfolios throughout the year, not just in the final weeks of December, for opportunities to offset gains with losses, without pulling you out of the market exposure you still want.

Tax-advantaged retirement accounts. Traditional and Roth vehicles offer very different tax treatment, and the right mix depends on where you expect your tax bracket to go, not just where it sits today. That's also why Roth conversions deserve a regular look. Paying tax now on pre-tax dollars, often in a lower-income year, can reduce future required minimum distributions and create tax-free growth. Thoughtful use of these accounts remains one of the most powerful deferral tools available to you.



Estate tax planning. Estate tax law changes with the political winds, and even if today's exemption levels put you outside its reach, that can change. Trusts, gifting strategies, marital deductions, and beneficiary titling are tools we use, often alongside your estate attorney, to help make sure your wealth transfers the way you intend, not the way the tax code defaults to.

Charitable giving. Whether it's a direct gift, a donor-advised fund, or a qualified charitable distribution from an IRA, how you give can be nearly as consequential as what you give. Done well, charitable giving supports the causes you care about and reduces your taxable income at the same time.

Scenario planning. Using your prior-year tax returns as a starting point, we can build a hypothetical tax return to model how a major decision might affect your taxes before you make it. It's an illustration, not a prediction, but it lets you compare options with real numbers.

Why This Has to Be a Team Effort

We're not a tax preparation firm, and we don't file your return. But we believe good financial planning is impossible without a clear view of your tax picture, which is why a thorough review of your tax return is often where our planning conversations start. It tells us more about your full financial life than almost any other single document.

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From there, we work directly with your CPA, and if you don't have one, we have longstanding relationships with CPA firms here in Houston we're glad to introduce you to. The goal isn't for your advisor and your CPA to operate separately and compare notes once a year. It's for your investment strategy, your retirement income plan, and your tax strategy to be built as one coordinated picture, with everyone working from the same information.

The Bottom Line

Tax planning done well doesn't look dramatic. It looks like a portfolio positioned thoughtfully across account types, capital gains realized with intention rather than by accident, retirement withdrawals sequenced to manage your bracket, and a giving strategy that does double duty for your values and your tax bill. None of it depends on predicting exactly what tax law will look like next year. It depends on building a plan flexible enough to adapt to whatever taxes look like when the time comes.

Benjamin Franklin was right that taxes are certain. That's exactly what makes them worth planning for.

If it's been a while since your full financial plan and your tax situation were reviewed side by side, that's a conversation worth having, with plenty of runway before year-end, not in the last week of it.

As always, please contact your Financial Synergies advisor. We are here to help! ★

DISCLOSURE

This article is for general informational and educational purposes only and should not be construed as investment, tax, or legal advice.

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Back to the Future Proof Festival

By Marie Villard, CTO, CCO, Partner

Five members of our Financial Synergies Wealth Advisors team recently attended Future Proof Festival in Huntington Beach, a few days of wealth management, technology, networking, big ideas, and discovering just how many meetings can reasonably be scheduled next to the Pacific Ocean.

The biggest theme was impossible to miss: AI is no longer something wealth management firms are simply "watching."

AI is quickly becoming part of how we think about operations, advisor workflows, data, client service, and growth.

Across our team, we attended sessions covering AI's role in M&A, rethinking the advisor's day with AI, tax planning, and advancing women in wealth management.

And there was one particularly relevant topic: "The Wealth Industry's Coordination Crisis: Why More Technology Isn't the Answer."

That one resonated.

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Back to the Future Proof Festival

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Our industry doesn't have a shortage of technology.

We have CRMs, portfolio systems, planning tools, compliance platforms, AI applications, and roughly 47 browser tabs open at any given moment.

The real opportunity is making our technology, data, and workflows work together more intelligently.

But some of the best moments had nothing to do with technology.

We strengthened existing relationships, made new ones, and even reconnected with people from earlier chapters of our careers whom we hadn't seen in nearly 15 years.

At a conference dominated by conversations about artificial intelligence, it was a great reminder that human connection remains remarkably difficult to automate. ★



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Q3 2026 Recap and 4th Quarter 2026 Outlook

By Mike Minter, CFP®, CFS®, Chief Investment Officer, Managing Partner

Key Updates on the Economy & Markets

The third quarter paired solid fundamentals with renewed pressure from oil and interest rates.

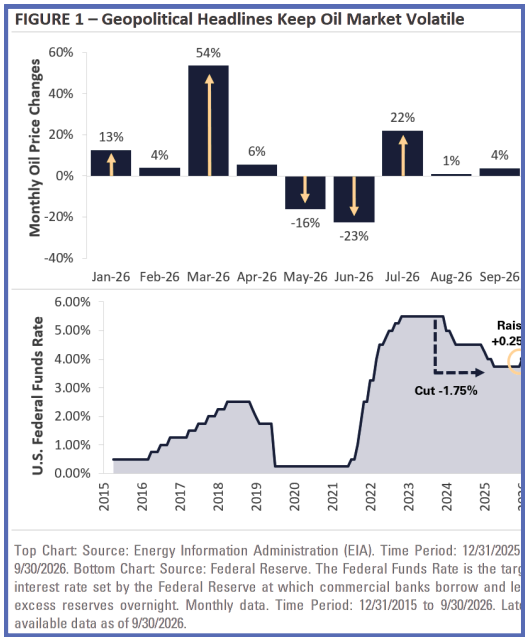
Oil climbed back above $100, inflation stayed elevated, Treasury yields surged, and the Federal Reserve raised rates in September. The S&P 500 still set a new all-time high, but leadership narrowed as smaller companies and rate-sensitive areas lagged.

Fed Raises Interest Rates as Oil Remains Volatile

Oil changed direction frequently this year: it surged early, fell sharply in May and June, then reversed higher in Q3, including a +22% jump in July. WTI rose from about $70 in early July to more than $100 by mid-September, before ending the quarter near $90. Most of the volatility traces to shifting expectations for Middle East supply and uncertainty around the Strait of Hormuz.

Oil feeds into gasoline and transportation costs, inflation, and ultimately interest rates. Earlier this year, investors debated how much the Fed could cut; as oil rebounded and inflation stayed above target, the conversation shifted to hikes. After cutting rates by 1.75% since September 2024 and holding steady for nine months, the Fed raised rates +0.25% in September, its first increase since 2023. The market expects more hikes, though expectations have changed frequently.

FIGURE 1 – Geopolitical Headlines Keep Oil Market Volatile



Top Chart: Source: Energy Information Administration (EIA). Time Period: 12/31/2025 9/30/2026. Bottom Chart: Source: Federal Reserve. The Federal Funds Rate is the targ interest rate set by the Federal Reserve at which commercial banks borrow and le excess reserves overnight. Monthly data. Time Period: 12/31/2015 to 9/30/2026. Lat available data as of 9/30/2026.

Strong Earnings and Economic Growth Provide Support

The underlying data remained strong.

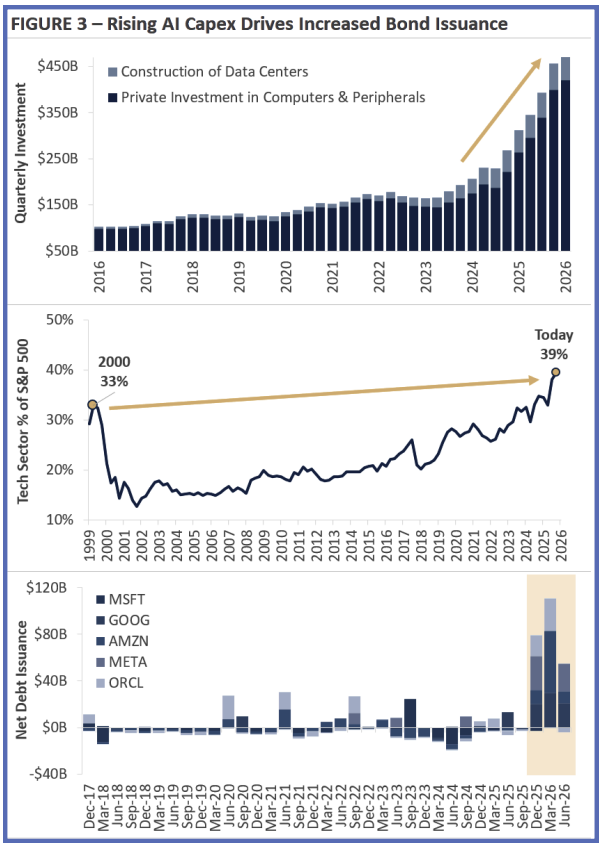
S&P 500 earnings grew nearly +30% over the past twelve months, one of the strongest stretches outside the post-financial-crisis and post-COVID rebounds, and a big improvement from the single-digit pace of 2023 and 2024.

In Q2, headline GDP grew at a +2.2% annualized rate, down from +2.5% in Q1, but final sales to private purchasers, which strips out volatile trade, inventory, and government spending, grew +4.6%. Households and businesses kept spending and investing, helping offset higher oil, persistent inflation, and rising rates. *-Continued on next page*

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Top Chart: Source: U.S. Census Bureau; U.S. Bureau of Economic Analysis (BEA). Data center construction spending and private investment in computers and peripheral equipment are shown in billions and are used as a proxy for AI-related infrastructure investment. Time Period: Q3 2016 to Q2 2026. Middle Chart: Source: S&P Dow Jones Indices. Data represents the weight of the Information Technology sector in the S&P 500. Time Period: Q4 1999 to Q3 2026. Bottom Chart: Source: Company SEC filings for Microsoft (MSFT), Alphabet (GOOG), Amazon (AMZN), Meta Platforms (META), and Oracle (ORCL). Positive values indicate a net increase in debt obligations, while negative values indicate a net reduction. References to specific companies are for illustrative purposes only and do not constitute a recommendation to buy or sell any security. Time Period: Q4 2017 to Q2 2026. Latest available data as of 9/30/2026.

AI's Influence Continues to Broaden

AI is now shaping the economy and markets in three ways:

- **Investment:** Spending on data centers and computer equipment has grown from roughly $180 billion at the end of 2023 to nearly $490 billion today.
- **Stock market:** Technology now makes up nearly 40% of the S&P 500, up from about 34% at the end of 2025, so strong AI-related earnings and stock gains have an outsized influence on the index.
- **Financing:** Large tech companies, historically balanced between issuing and reducing debt, are increasingly turning to the bond market, driving a significant jump in new issuance.

Equity Market Recap

The S&P 500 finished Q3 up +2.3%, but the path was uneven.

Stocks faced early pressure, then rebounded in August, when the Russell 2000, Dow Jones, and equal-weight S&P 500 each set new highs. From there, larger companies outperformed. The Nasdaq 100 gained +0.6%, the Dow fell -1.5%, and the Russell 2000 fell -6.9%. Most of the gap opened alongside the late-quarter surge in Treasury yields, as smaller companies tend to be more sensitive to borrowing costs. The S&P 500 is up +12.7% year-to-date.

Only four of eleven sectors beat the index, signaling narrow breadth. Energy led with a +17.2% gain, a reversal from Q2, when it was the weakest sector. Technology (+7.2%), Health Care (+6.5%), and Communication Services (+3.6%) followed. Utilities fell -12.4% as rates rose, Industrials fell -9.7%, and Real Estate declined -5.6%.

International markets were quiet after strong first-half gains, with developed and emerging markets each finishing within 1% of where they started. Both remain up year-to-date and ahead of the S&P 500 over the past twelve months.

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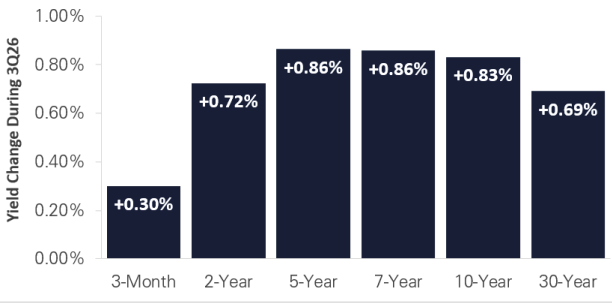
Credit Market Recap

Bonds had a challenging quarter as Treasury yields rose at every maturity, with the 5-, 7-, and 10-year each up more than 0.80 percentage points and the 30-year nearly 0.70.

Longer-maturity bonds underperformed. The broad U.S. Aggregate Index returned -3.5%.

High-yield returned -1.8% and investment-grade -3.7%*, which was hit harder by rising rates because of its longer maturity. The main headwind was rates rather than weakening credit, and spreads remained tight by historical standards.

FIGURE 4 – Treasury Yields Rose Across the Yield Curve in Q3



Source: U.S. Treasury. The chart shows the change in yield from 6/30/2026 to 9/30/2026. Latest available data as of 9/30/2026.

The clearest sign of caution was at the lowest-quality end: CCC-rated spreads widened even as higher-quality high-yield held steady, and broader high-yield spreads began widening in late September. Higher financing costs appear to be pressuring pockets of the market rather than credit as a whole.

2026 Outlook: What to Watch in Q4

Growth and earnings remain strong heading into Q4, even as higher oil prices and interest rates create a mixed and volatile backdrop.

Three things to watch:

- **The economy:** Whether spending, hiring, and business investment hold up under higher borrowing costs, persistent inflation, and energy uncertainty.
- **Q3 earnings season:** Beginning in October, it will show how companies are managing higher rates and changing input costs while sustaining revenue and profit growth.
- **The AI investment cycle:** Spending continues to support business investment and is increasingly bond-financed. As the cycle matures, the focus is likely to shift from how much is being spent to what it produces in revenue, profits, and productivity.

Markets have absorbed several shifts this year without losing their support from growth and earnings.

We'll keep watching these trends, with the focus on diversification, discipline, and your long-term financial goals.

We can't know exactly how these questions resolve, but a diversified portfolio and a long-term perspective remain the best tools for navigating the uncertainty. ★

*Disclosure: Past performance does not guarantee future results. Index performance is for illustrative purposes only; indexes are unmanaged and cannot be invested in directly. *Based on the Bloomberg US Aggregate, high-yield returned -1.8% and investmentgrade -3.7%, which was hit harder by rising rates because of its longer maturity.*

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Congratulations, Kellie!

Please join us in congratulating Kellie Gamino, Associate Financial Advisor, on earning her CERTIFIED FINANCIAL PLANNER® certification, one of the most respected credentials in the financial planning profession.

This achievement reflects Kellie's dedication to her craft, commitment to continuous learning, and passion for helping clients navigate their financial lives with confidence. Kellie brings a thoughtful, client-centered approach to financial planning and relationship management. She is passionate about helping clients turn their goals into actionable plans and make informed decisions that support their long-term success.

Earning the CFP® certification requires extensive education, examination, and experience requirements, underscoring a commitment to the highest standards of professionalism and client care.

We are proud to celebrate this milestone and look forward to the positive impact she will continue to make for our clients and our firm. ★

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Welcome, Robine!

Robine van Doorn joined Financial Synergies in June. She earned her Master of Science in Finance from Southern Methodist University and her B.S. in Finance from The University of Tulsa, where she competed on the rowing team.

As an Associate, Robine is passionate about helping individuals and families gain clarity, confidence, and peace of mind through thoughtful financial planning. Robine believes financial planning is about more than numbers. It's about helping people achieve their goals and focus on the lives they want to live.

We are thrilled to have Robine on the Financial Synergies team! ★

ANNIVERSARIES

We're celebrating several team members who marked meaningful work anniversaries in the 3rd quarter.

Their milestones reflect the lasting relationships they've built, the knowledge they've gained, and the positive impact they continue to make across our firm. We're thankful for their dedication to serving our clients and for the professionalism, collaboration, and care they bring to their work each day.



★ **Stephanie Campbell** ★
5 Years



★ **Melody Laser** ★
2 Years



★ **Hailey Lamoree** ★
1 Year



★ **Megan Cline** ★
1 Year

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