INVESTRA | PRIVATE WEALTH STRATEGY

Equity Compensation & Wealth Mapping

Client Strategy Report | November 2026

Best Practices for Managing Incentive Stock Options (ISOs), Nonqualified Stock Options (NSOs), Employee Stock Purchase Plans (ESPPs), and Restricted / Performance Stock Units (RSUs / PSUs)

Executive summary

Equity compensation can be one of the most powerful wealth-creation opportunities available to corporate executives, technology professionals, and employees participating in company ownership programs. However, maximizing its value requires more than understanding when shares vest or options become exercisable.

The InVestra approach is to transform equity compensation into a coordinated wealth strategy that balances five priorities: tax efficiency, liquidity, risk management, diversification, and long-term financial independence.

The central principle is simple:

Equity compensation should be managed as part of your total wealth—not as an isolated investment or an automatic bet on your employer's future stock performance.

Through a structured Wealth Mapping Plan, InVestra helps clients evaluate when to exercise, hold, sell, or diversify equity awards while aligning those decisions with retirement objectives, family priorities, estate planning, and financial flexibility.

1. Understanding your equity compensation

Award type	Primary tax event	Key planning consideration
ISOs	Generally on sale; possible AMT at exercise	Exercise timing, AMT exposure, holding periods
NSOs	Generally at exercise	Ordinary income, exercise costs, and tax withholding
ESPPs	Generally when shares are sold	Purchase discount, qualifying dispositions, concentration
RSUs	Generally at settlement or share delivery	Ordinary income, tax reserves, diversification

PSUs	Generally at settlement after performance conditions are met	Uncertain payout, income spikes, liquidity planning

Assumes typical U.S. employee equity arrangements, including qualified Section 423 ESPPs. Actual treatment depends on plan documents, award provisions, tax residence, and individual circumstances. IRS guidance:
Internal Revenue Service+2

2. Best practices by equity award type

Incentive Stock Options (ISOs)

ISOs can offer favorable long-term capital gains treatment, but exercising and holding shares may introduce significant alternative minimum tax (AMT) exposure.

InVestra planning approach

- Model regular federal income tax and AMT before exercising.
- Consider exercising in stages rather than all at once.
- Evaluate exercising during lower-income years or when the share price is relatively low.
- Compare the potential tax benefits of holding against the risk of a concentrated stock position.
- Maintain liquidity for exercise costs and possible AMT obligations.
- Track each grant's exercise window and expiration date.

For a qualifying disposition, shares generally must be held for more than one year after exercise and more than two years after grant. Early dispositions can trigger ordinary income treatment.

Internal Revenue Service+1

Wealth Mapping priority: Identify the exercise schedule that balances possible tax savings with the client's cash reserves, concentration exposure, and desired liquidity.

Nonqualified Stock Options (NSOs)

NSOs typically create ordinary compensation income upon exercise equal to the difference between the shares' fair market value and the exercise price.

InVestra planning approach

- Project the taxable spread before exercising.
- Coordinate exercises with salary, bonuses, RSU vesting, and other taxable income.
- Explore cashless exercise or exercise-and-sell strategies where permitted.
- Evaluate whether holding shares after exercise adds meaningful investment value.
- Review payroll withholding against projected total tax liability.
- Establish an exercise schedule before options approach expiration.

The value included in compensation generally becomes part of the shares' cost basis, reducing the potential for double taxation when shares are subsequently sold.

Internal Revenue Service+1

Wealth Mapping priority: Convert vested option value into usable after-tax wealth while minimizing unnecessary tax surprises and single-stock exposure.

Employee Stock Purchase Plans (ESPPs)

ESPPs may allow employees to purchase employer shares at a discount, sometimes with a lookback feature that increases the economic benefit.

InVestra planning approach

- Review the purchase discount and any lookback provision.
- Determine an appropriate payroll contribution level without undermining emergency savings or other priorities.
- Compare selling shortly after purchase with holding for potentially more favorable tax treatment.
- Account for existing employer stock exposure from other awards.
- Track purchase dates, offering dates, cost basis, and sales.
- Reinvest sale proceeds according to the long-term portfolio strategy.

For qualified Section 423 plans, the tax result depends partly on whether shares are held more than one year after transfer and more than two years after the option grant.

Internal Revenue Service

Wealth Mapping priority: Capture the economic advantage of the plan without allowing incremental purchases to create an oversized employer-stock position.

Restricted Stock Units (RSUs) and Performance Stock Units (PSUs)

RSUs generally become taxable as compensation when shares are delivered. PSUs add uncertainty because the number of units ultimately earned can depend on corporate or individual performance.

InVestra planning approach

- Build a calendar of anticipated vesting and settlement dates.
- Estimate potential taxable income and withholding shortfalls.
- Consider systematic sales of vested shares to support diversification.
- Treat future PSUs as contingent compensation rather than guaranteed wealth.
- Model threshold, target, and maximum PSU payouts.

- Coordinate major vesting events with retirement contributions, charitable planning, and liquidity needs.

For ordinary RSUs, an 83(b) election is generally not available because no actual stock is transferred at grant. Actual restricted stock awards and certain early-exercised stock arrangements require separate analysis.

IRS

Wealth Mapping priority: Create a repeatable process for moving equity compensation into a diversified portfolio, rather than allowing it to accumulate by default.

3. The InVestra Wealth Mapping Framework

The Wealth Mapping Plan is designed to connect today's equity decisions with tomorrow's financial outcomes.

THE INVESTRA WEALTH MAP

Your Total Financial Picture

Salary • Bonus • Equity Awards • Investments • Real Estate • Retirement Assets

Tax Strategy

Exercise, withholding, AMT and capital gains

Risk Management

Employer-stock concentration and downside exposure

Liquidity Planning

Taxes, reserves, lifestyle and major purchases

Investment Strategy

Diversification and long-term growth

Financial Independence & Legacy

Retirement Income • Family Security • Lifestyle Flexibility • Charitable & Estate Goals

The five stages of Wealth Mapping

1. Discover — Build your complete equity inventory. Document grants, strike prices, vesting schedules, expiration dates, expected PSU payouts, and existing employer-share holdings.
2. Model — Evaluate alternative strategies. Compare exercise-now versus exercise-later decisions, qualifying versus disqualifying sales, projected taxes, and different stock-price scenarios.
3. Protect — Establish liquidity and risk parameters. Set aside funds for taxes, define acceptable employer-stock concentration, and stress-test adverse market conditions.
4. Deploy — Direct equity proceeds toward financial objectives. Fund investment accounts, retirement needs, education, property purchases, charitable goals, and estate strategies.
5. Monitor — Keep the strategy current. Revisit the map after major grants, vesting events, corporate actions, employment changes, or significant market movements.

4. Illustrative Wealth Mapping Plan

Consider an executive with $1.5 million in total investable assets, including $600,000 of employer-stock exposure from vested shares and in-the-money equity compensation.

Illustrative values only; assumes the employer-stock exposure is included in the $1.5 million total.

Current employer exposure

40%

$600,000 of $1.5M

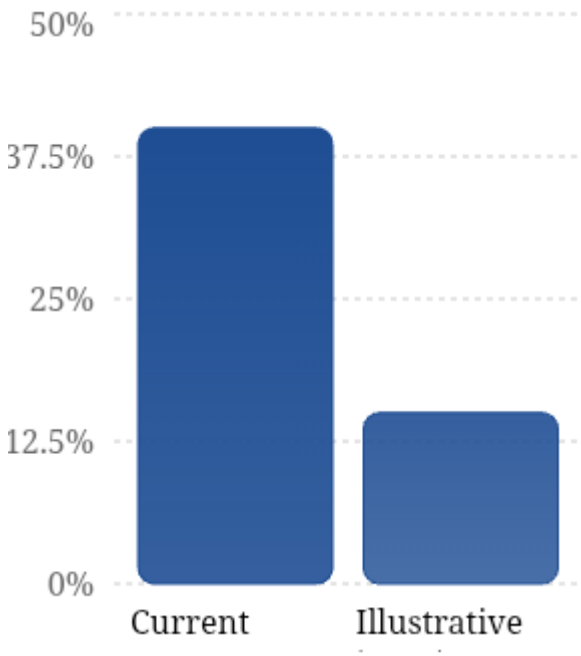
Illustrative target

15%

$225,000 at current values

Concentration reduction goal

Share of total investable assets attributable to employer equity



Under this simplified example, the plan seeks to reduce employer-stock exposure by approximately $375,000, before accounting for exercise costs, taxes, transaction restrictions, future stock-price changes, or vesting.

A coordinated strategy might involve staged NSO exercises, planned RSU sales, selective ISO exercises with AMT modeling, and periodic ESPP sales. Net proceeds would be directed toward a diversified investment portfolio, tax reserves, and specific family goals.

The 15% target is illustrative—not a universal recommendation. InVestra would establish a client-specific risk limit based on total wealth, employer dependence, risk tolerance, and financial objectives.

5. How equity proceeds support the broader wealth plan

Illustrative proceeds allocation

Interactive

Explore how available after-tax proceeds could be allocated across different priorities. Adjust the amount and percentages below.

After-tax proceeds available ($)

Long-term investments

$100,000

40%

Retirement / income reserves

$62,500

25%

Near-term goals

$37,500

15%

Cash / liquidity

$25,000

10%

Legacy / charitable goals

$25,000

10%

Total allocation

100%

Allocations total 100%. Amounts exclude any additional investment growth or losses.

Reset illustration

This example demonstrates how a concentrated equity position can become a source of diversified, goal-directed capital. Actual allocations would be tailored to the client's time horizon, tax situation, cash flow, and existing portfolio.

6. Critical safeguards and planning opportunities

Tax withholding: Equity-related withholding may be insufficient for high-income clients. For example, federal supplemental wage withholding can be 22% under the applicable flat-rate method in 2026, which may be less than the client's ultimate marginal rate. In certain circumstances the rate rises to 37% on supplemental wages exceeding $1 million.

Internal Revenue Service

AMT management: ISO exercise decisions should be tested under both regular tax and AMT calculations. Selling ISO-acquired shares in the same calendar year as exercise generally eliminates the ISO exercise-related AMT adjustment, although other tax consequences remain.

Internal Revenue Service

Employer trading restrictions: Executives and other covered employees must comply with blackout periods, insider trading policies, preclearance requirements, and applicable securities laws. A properly established Rule 10b5-1 trading plan may facilitate scheduled sales, subject to its legal requirements and mandatory cooling-off periods.

SEC

Additional planning considerations: State taxes, the 3.8% net investment income tax on applicable investment gains, charitable giving strategies, tax-loss harvesting, estate planning, and anticipated employment transitions should be included when relevant.

Internal Revenue Service

For private-company awards, the analysis must also address transfer restrictions, valuation uncertainty, tender opportunities, repurchase rights, and potential inability to sell shares even after a taxable event.

7. InVestra implementation roadmap

Timeframe	Client deliverable
First 30 days	Complete equity inventory, financial balance sheet, vesting calendar, and preliminary risk assessment
Days 30–60	Tax modeling, exercise/sale strategy comparisons, and liquidity projections
Days 60–90	Finalize the Wealth Mapping Plan, concentration limits, investment allocations, and execution checklist
Quarterly	Review vesting, tax estimates, equity concentration, and upcoming decisions
Annually	Update the financial independence outlook, estate strategy, tax planning, and long-range wealth objectives

8. Your InVestra deliverables

The Wealth Mapping engagement is designed to produce a clear, actionable set of planning tools.

- Equity Compensation Dashboard: All awards, values, vesting dates, and expiration timelines in one view.
- Equity Tax Strategy: Comparative exercise and sale scenarios, potential AMT exposure, and estimated after-tax outcomes.

- Concentration & Liquidity Plan: Target employer-stock exposure, staged diversification, and cash reserve policies.
- Long-Term Wealth Map: Equity proceeds integrated with retirement, family, investment, and legacy objectives.
- Ongoing Decision Calendar: Upcoming grant, vesting, exercise, tax, and planning deadlines.

The InVestra perspective

Your equity compensation represents more than a benefit provided by your employer. It is a dynamic component of your financial future.

The objective is not simply to maximize the value of your stock awards. It is to maximize the value those awards can contribute to your life.

Through thoughtful tax coordination, disciplined risk management, and a personalized Wealth Mapping Plan, InVestra helps translate equity compensation into long-term financial security, greater flexibility, and a meaningful legacy.

Important disclosures: Prepared for educational and planning discussion purposes as of November 6, 2026. This report assumes U.S. federal tax treatment and does not constitute individualized investment, legal, or tax advice. Specific outcomes depend on award agreements, employer policies, residency, filing status, and personal circumstances. InVestra's services and professional designations should be described consistently with its actual advisory and regulatory status. Tax and legal decisions should be reviewed with qualified professionals.