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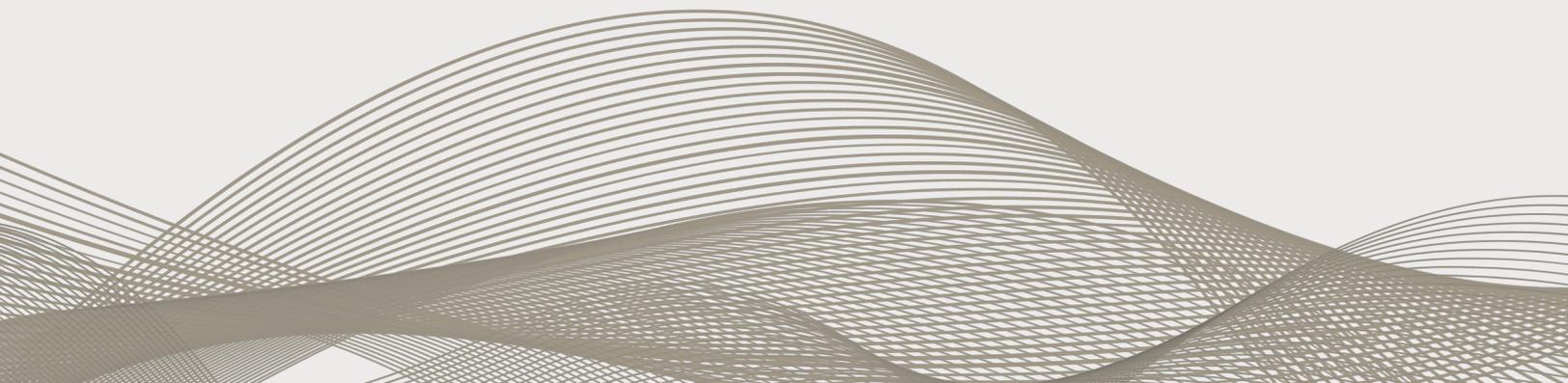
The Coordination Gap in Tax Outcomes

What Your Tax Return Reveals About Your Financial Life

STICKNEY
R E S E A R C H

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Executive Summary

For many people, taxes are encountered primarily through filing a return, which naturally centers attention on what has already occurred. In reality, tax outcomes take shape over time as financial decisions interact across income, investments, benefits, charitable activity, and life events. These outcomes reflect not a single choice, but how multiple choices overlap and compound.

A tax return is one of the few documents that brings an entire financial year into one view. It shows patterns of income, the timing of asset sales, and how decisions made separately came together. Read this way, the return can serve as a lens for understanding how a financial system is functioning.

Unexpected tax results are often attributed to technical issues, but more commonly arise from reasonable decisions made without awareness of how they would interact. When financial choices are not coordinated, their combined effect can diverge from original intentions. This paper refers to that misalignment as the Coordination Gap.

As financial complexity increases, the effects of this gap become more pronounced. March provides a natural moment to review how past decisions aligned and to consider where greater coordination may improve future outcomes. This paper offers a framework for understanding how financial decisions create tax outcomes over time, without providing tax strategies or prescriptive guidance.

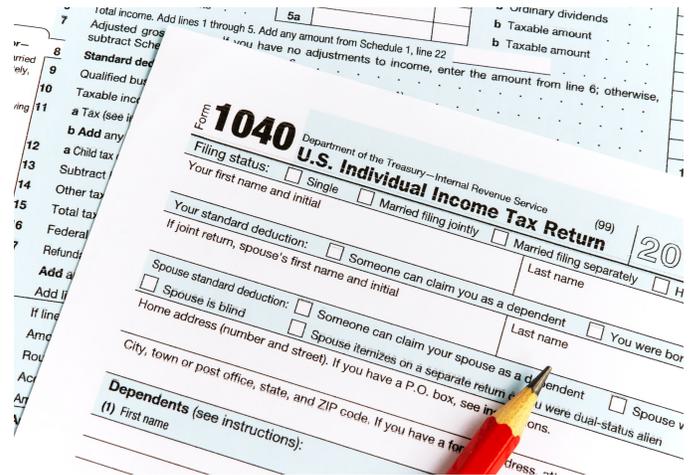
A TAX RETURN IS A STORY, NOT A PLAN

For most people, taxes enter awareness at a single moment, when the return is prepared. Behavioral research on tax salience shows that attention to taxes is low when their effects are deferred or less visible and much higher when they become explicit at filing time (Chetty, Looney, and Kroft, 2009; Finkelstein, 2009). As a result, the tax return is commonly treated as a retrospective document. It reflects what has already occurred rather than shaping decisions as they unfold.

A tax return is one of the few documents that consolidates otherwise separate areas of financial life into a single view. It brings together income, benefits, investment activity, charitable giving, and life events across an entire year. By the time the return is completed, the underlying decisions have already been made. Each choice may have been reasonable when viewed on its own. The tax result reflects how those choices interacted over time rather than how any single decision performed in isolation.

When taxes are viewed primarily as a year-end outcome, they tend to invite reactive interpretation. Unexpected results are often attributed to technical rules, external forces, or one discrete event. Less attention is given to how decisions made months earlier, in different parts of a financial life, combined to produce that outcome.

PEOPLE TEND TO MAKE FINANCIAL DECISIONS IN SEPARATE CATEGORIES SUCH AS INCOME, INVESTMENTS, AND BENEFITS. THEIR COMBINED EFFECTS ARE RARELY VISIBLE UNTIL THEY APPEAR TOGETHER ON A TAX RETURN.



This can obscure where misalignment actually occurred and limit what can be learned from the result. In practice, this often leads people to react to the outcome rather than examine the sequence of decisions that produced it.

Behavioral research on mental accounting helps explain why these interactions are easy to miss. Individuals tend to evaluate income, investments, benefits, charitable activity, and life events as separate problems rather than as parts of a single system (Thaler, 1999). That separation simplifies decision-making in the moment, but it reduces visibility into how choices made at different times can compound. The tax return is often the first place where those interactions become visible.

From this perspective, a tax return is descriptive. It records the sequencing and timing of decisions across domains and displays the combined effect of their overlap. As financial lives grow more complex, those interactions carry more weight. The return increasingly reflects not only what happened, but how well decisions were aligned. Whether the outcome matches original intentions depends less on any single choice than on how decisions were coordinated over time.

HOW TAX OUTCOMES ARE ACTUALLY CREATED

Tax outcomes do not arise from a single event. They are produced by a series of financial decisions made over time. Income is earned, investments are bought and sold, benefits are selected, liquidity is created or deferred, and charitable gifts are made. Each of these actions carries tax consequences. Those consequences accumulate across the year and combine into a final result.

Individual Decisions are Made in Context

Because these choices occur at different moments, they are rarely evaluated together when they are made. A compensation decision may be driven by career goals. An investment sale may respond to market conditions. A benefit election may reflect health or family needs. A liquidity decision may be shaped by business or personal timing. A charitable contribution may express personal values. Each decision addresses a specific problem in a specific context. Taken individually, most of these choices are reasonable.



Financial decisions are typically handled within separate categories. Income is considered apart from investments. Benefits are selected without reference to portfolio activity. Charitable giving is often planned independently of liquidity events. This separation simplifies decision making in the moment. It also makes it difficult to see how one choice will influence another.

Tax Outcomes Reflect Interaction, Not Intention

Taxes reflect what happens when these decisions overlap. Income levels influence the impact of investment activity. The timing of asset sales affects how benefits and deductions apply. Liquidity events change how charitable activity interacts with taxable income. The tax outcome does not measure the quality of any single decision. It records the combined effect of many decisions that were never designed to operate as a group.

As a result, unexpected tax outcomes usually do not come from one incorrect action. They emerge from the way reasonable actions intersect. A series of sensible choices can produce a result that differs from what was intended when those choices are viewed together. The tax return reveals this interaction after the fact, once all decisions have been recorded and combined.

Tax outcomes therefore develop through a process of accumulation and interaction. Individual decisions create effects. Those effects overlap. The final tax result reflects their combined influence over time.

Conceptually, the process can be understood as a sequence. Individual decisions lead to overlapping effects. Those effects produce a final tax result.

THE COORDINATION GAP

Financial decisions are rarely made as part of a single coordinated process. Income choices, investment activity, benefit elections, liquidity decisions, and charitable giving usually occur at different times and for different reasons. These choices are often made with limited visibility into how other parts of a financial life are changing. As a result, decisions that are sensible in isolation may produce outcomes that differ from what was intended when viewed together.

The Coordination Gap

This paper refers to that misalignment as the **Coordination Gap**. The Coordination Gap is the difference between intended financial outcomes and actual tax results that occurs when decisions are made without awareness of how they will interact. It reflects the structure of how financial decisions are made over time rather than poor judgment or technical error.

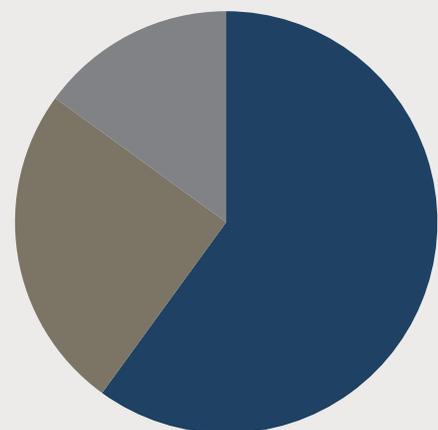
Most financial choices are made within narrow contexts. Compensation responds to career opportunities. Investments respond to market conditions. Benefits respond to family needs. Liquidity responds to timing. Charitable giving reflects values. Each choice is reasonable on its own. Few are evaluated based on how they will combine with other decisions later in the year.

When decisions remain separated, their interaction becomes visible only after the fact. The tax return shows how income, timing, and deductions combined across domains. As financial complexity increases, this gap becomes more pronounced. The risk is not that any single decision is wrong. The risk is that reasonable decisions are not aligned with one another.

Why the Gap is Common

The Coordination Gap helps explain why unexpected tax outcomes are common even among financially sophisticated households. A tax result reflects how multiple decisions overlapped over time rather than the quality of any single choice. The return does not show intention. It shows interaction. Interpreted this way, tax outcomes can be understood as feedback about how a financial system is operating rather than as a verdict on individual decisions.

Internal Revenue Service data shows that higher income filers receive taxable income from several sources, including wages, investments, and business activity (Internal Revenue Service, Statistics of Income). Tax outcomes reflect how these sources combine rather than how any single source performs.



Taxable income for higher income households is typically composed of several sources rather than a single stream.

WHAT A TAX RETURN REVEALS ABOUT THE FINANCIAL LIFE

A tax return does more than report totals. It brings together the results of many financial decisions made across a full year. When read carefully, it shows patterns that are difficult to see while choices are being made. These patterns reflect how a financial life is functioning as a system rather than how any single decision performed.



Income often arrives in bursts rather than evenly across the year.

For illustrative purposes only.

Patterns of Income and Timing

The return reveals how income is earned and when it appears. It shows whether income comes from one source or several. It also shows whether income is stable or arrives in uneven bursts. The timing of asset sales, bonuses, and business income becomes visible once they are recorded together. These timing patterns shape how deductions and credits apply and influence the overall tax result. The return therefore provides insight into how income and events were sequenced across the year.

Interaction Across Financial Domains

The return also shows how separate areas of financial life interacted. Investment activity appears alongside compensation. Charitable giving appears alongside liquidity events. Benefit elections appear alongside changes in taxable income. These domains are usually managed independently. On the return, they are displayed together. This makes it possible to see how decisions that were made for different reasons combined to produce a single outcome.

Read this way, the tax return functions as a summary of system behavior. It does not explain why choices were made. It shows what happened when those choices overlapped. Patterns of concentration, timing, and interaction become visible only after the year is complete. The return therefore offers a lens for understanding how a financial life operated in practice rather than how it was intended to operate in theory.

Supporting Evidence

IRS data shows that capital gains and business income are unevenly distributed across the year rather than earned smoothly month to month (Internal Revenue Service, Statistics of Income). This uneven timing increases the likelihood that income, deductions, and life events will overlap in ways that are difficult to predict in advance.

Because these sources are recorded together on a single return, patterns of concentration and sequencing become visible only after the year is complete. The return therefore reveals how compensation, investment activity, and business income combined over time rather than how any one source performed in isolation.



Complexity Increases the Cost of Misalignment

In simple financial situations, the effects of misalignment may be limited. With more variables, the same lack of coordination can produce larger consequences. A change in income can alter how investment activity is taxed. A liquidity event can change how deductions apply. A charitable contribution can have different effects depending on when income is realized. These outcomes are shaped less by any single choice than by how choices coincide across the year.

As complexity rises, decisions become more interdependent. Equity compensation, business income, and major transactions introduce timing questions that extend beyond one category of financial life. Each decision may be made for a sound reason, yet its effect depends on what else is happening at the same time. What appears manageable in isolation can carry greater weight when combined with other events.

The risk is not that individuals make poor decisions. The risk is that decisions made for valid reasons do not reinforce one another. In this environment, understanding how choices interact becomes more important than optimizing any single decision in isolation. Seen this way, complexity does not create the Coordination Gap. It amplifies it. What once appeared as minor variation can emerge as a meaningful divergence between intention and outcome.

WHY COMPLEXITY MAGNIFIES THE GAP

The Coordination Gap exists in most financial lives, but its effects are not evenly distributed. As financial complexity increases, the consequences of interaction become more pronounced. More decisions create more points of overlap. More overlap increases the likelihood that reasonable choices will combine in unexpected ways.

More Moving Parts Create More Interaction

Complex financial lives involve multiple sources of income, different types of assets, and a wider range of timing decisions. Equity compensation introduces vesting and exercise choices. Business income introduces variability and distribution decisions. Real estate introduces transaction timing and capital gains. Charitable giving introduces planning around liquidity and deductions. Each additional element adds another dimension to how outcomes are produced.

These elements are rarely evaluated together at the moment decisions are made. Compensation is addressed in one context. Investments are handled in another. Benefits are selected separately. Liquidity events are often planned on their own timeline. The number of interactions grows faster than the number of decisions themselves. What appears manageable in isolation becomes difficult to assess as a system.

QUESTIONS THE TAX RETURN ANSWERS

1. When did income arrive?
2. Which sources overlapped?
3. What events coincided?
4. How did timing shape the result?

MARCH AS A REVIEW MOMENT

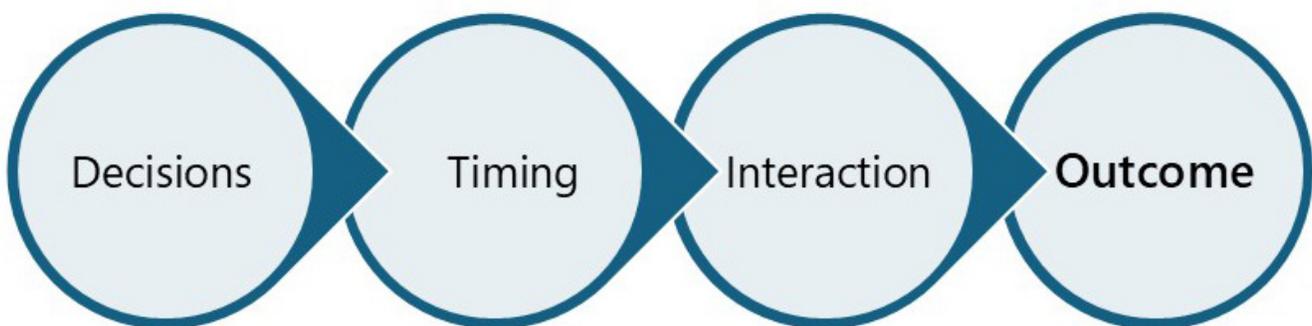
The tax filing season is naturally backward looking. It focuses attention on what has already occurred rather than on what comes next. Income has been realized, transactions have been completed, and deductions have been claimed. The return summarizes those outcomes, but it does not explain how they were produced.

March provides a unique opportunity because it is often the first moment when the full picture of the prior year is visible. Decisions made months apart appear together on a single document. Patterns of timing, concentration, and interaction can be seen only once the year is complete. This makes the filing process more than an administrative task. It becomes a feedback point for understanding how financial decisions functioned as a system.

Used in this way, the return can inform future choices without prescribing them. It can highlight where outcomes aligned with expectations and where they diverged. Rather than serving only as a closing statement on the past year, the return can act as a reference point for improving coordination going forward. March therefore marks not just the end of a reporting cycle, but the beginning of a clearer view into how financial decisions work together over time.

A FRAMEWORK FOR UNDERSTANDING

This framework illustrates how tax outcomes are formed over time. Financial decisions are made first, often in separate contexts and for different reasons. Timing determines when those decisions enter the tax system and how closely they occur. Interaction captures how those effects overlap once they coincide. The outcome reflects the combined result of that process as it appears on the tax return. The framework is intended to support understanding, not optimization, by clarifying how choices worked together rather than evaluating any single decision in isolation.



The tax return records the outcome of decisions, timing, and interaction. It shows how choices worked together, not how they performed in isolation.

WHY COORDINATION IS A FINANCIAL SKILL, NOT A TACTIC

Coordination is often misunderstood as a single decision or a one-time adjustment. In practice, it is a skill that develops over time and across situations. Financial decisions rarely arrive neatly packaged. They appear as compensation changes, investment opportunities, liquidity events, benefit elections, and charitable commitments, each with its own timing and constraints. Coordination is the ability to understand how those decisions relate to one another before their effects are locked in.

This skill becomes more important as financial lives grow more complex. When income comes from multiple sources, assets carry different tax treatments, and major events occur unevenly, the consequences of timing and interaction increase. A decision that appears neutral on its own can take on added weight depending on what else is happening in the same year. Coordination requires judgment about sequence, proximity, and tradeoffs, not optimization of any single choice.

Unlike a tactic, coordination cannot be applied after the fact. It does not rely on a specific strategy or product. It depends on maintaining visibility across decisions that are often made months apart and in different contexts. This is where problems tend to arise. Decisions are made with good intentions and sound reasoning, yet without a shared view of how they will interact. By the time the tax return reflects the result, the opportunity to influence the outcome has already passed.

Treating coordination as a skill changes how financial outcomes are evaluated. The focus shifts from asking whether an individual decision was correct to examining whether decisions reinforced one another. Over time, this perspective reduces surprise and improves alignment between intention and outcome. It does not eliminate complexity, but it makes complexity more navigable.



FROM RETURN TO INSIGHT

A tax return is often treated as an endpoint. It arrives after decisions have been made and outcomes have already taken shape. Once filed, it is set aside until the process repeats the following year. Read this way, the return closes a chapter rather than informing what comes next.

When Simplicity Works

During early accumulation phases, financial lives are often straightforward. Income may come primarily from wages. Portfolios are diversified across taxable and retirement accounts. Estate planning needs are basic, and decisions can be made independently. In these situations, model driven and automated platforms can function well. Their strengths lie in systematic portfolio construction, rebalancing, and disciplined implementation at low cost. For many investors, that structure is sufficient.

When Coordination Becomes the Constraint

As financial lives grow more complex, the limitations of automation become more visible. Variable income, concentrated positions, liquidity events, charitable decisions, and multi generational considerations introduce timing and interaction effects that cannot be addressed in isolation. At this stage, the cost of misalignment increases. Decisions remain reasonable on their own, but their combined impact carries more risk. Coordination becomes less about execution and more about judgment across decisions that unfold over time.



Viewed differently, the return offers something more useful. It shows how decisions made across the year interacted once timing and circumstance were no longer hypothetical. Income, investment activity, benefits, liquidity events, and charitable choices appear together, not as plans or intentions, but as results. The return reflects how a financial system actually functioned under real conditions.

This perspective shifts the role of the return from judgment to information. Unexpected outcomes become signals rather than surprises. Alignment and misalignment become visible. Over time, patterns emerge around timing, concentration, and interaction. These patterns are difficult to see while decisions are being made. They are clear only in hindsight.

When treated as insight rather than a verdict, the tax return becomes part of an ongoing process. It provides feedback about how choices worked together and where coordination mattered most. That understanding does not eliminate complexity, but it makes future decisions more deliberate. The return no longer marks the end of the year. It becomes a reference point for navigating what comes next.

ABOUT THE FIRM

Stickney Research is an independent advisory firm serving individuals and families whose financial complexity has outgrown self-directed strategies and standardized advisory models. The firm specializes in moments where equity compensation, tax considerations, concentrated investments, and career transitions intersect, requiring coordinated, judgment-driven advice rather than one-size-fits-all solutions.

Stickney Research works extensively with technology professionals, executives, and founders navigating compressed decision timelines related to equity compensation, severance, liquidity events, tax exposure, and career transitions. As a fiduciary, the firm provides advice grounded in transparency, objectivity, and rigorous analysis, integrating investment strategy, tax planning, equity compensation, and cash flow considerations to bring clarity to complex, time-sensitive financial decisions.

Based in Bellevue, Washington, Stickney Research serves clients throughout the Pacific Northwest and across the United States. Its roots in a technology-focused region provide direct insight into the compensation structures, labor dynamics, and market cycles that shape the financial lives of tech professionals.



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