



MARCH 2026

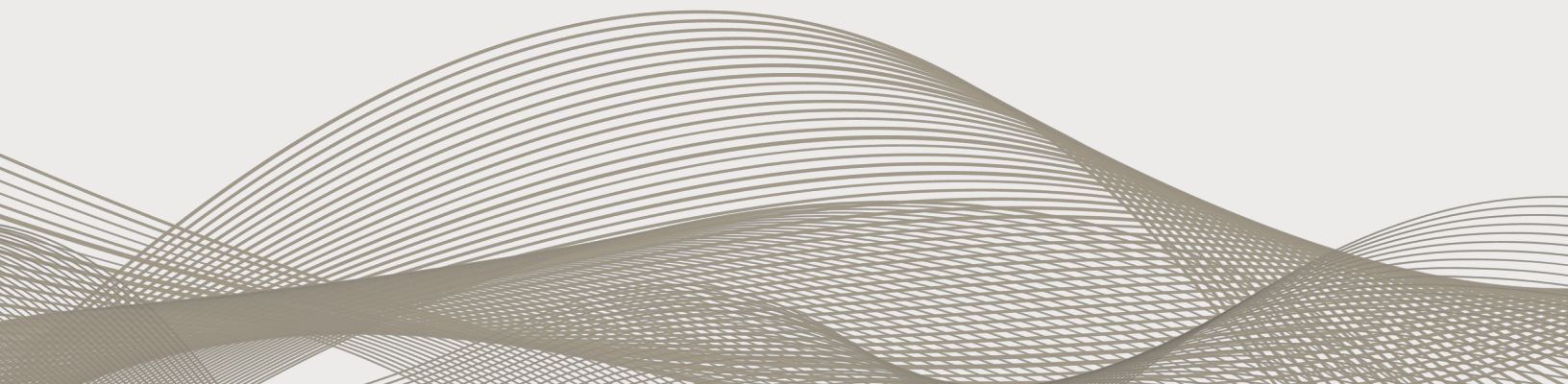
The Gap Between Intention and Outcome

Why Good Decisions Don't Always Equal Good Results

STICKNEY
R E S E A R C H

Table of Contents

- 03** Executive Summary
- 04** A Tax Return is a Story, Not a Plan
- 05** When One Decision Isn't the Whole Picture
- 06** Why Complexity Changes the Math
- 07** Why March is the Right Moment
- 08** From Return to Insight
- 09** About the Firm
- 10** References and Citations/Copyright and Legal Info



Executive Summary

Most people only think about taxes when it's time to file. By then, the decisions that shaped the outcome have already been made. In reality, tax results take shape over time as financial decisions build on each other across income, investments, benefits, charitable activity, and life events. The final number on a return reflects not a single choice, but how multiple choices built on each other over time.

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 show how a financial life is actually working, not just what it owed at the end of the year.

Unexpected tax results are often blamed on technical issues such as bracket thresholds, withholding miscalculations, or the timing of a single transaction. These explanations, while sometimes accurate, address symptoms rather than causes. The more common cause runs deeper. When financial decisions are made separately, at different times and without a clear view of how they will interact, the combined result can look very different from what anyone planned.

As financial complexity increases, these effects become more pronounced. March provides a natural moment to look back at how past decisions worked together and to consider where better communication between decisions could lead to better results going forward. This paper offers a framework for understanding how financial decisions create tax outcomes over time, without providing tax strategies or specific guidance.

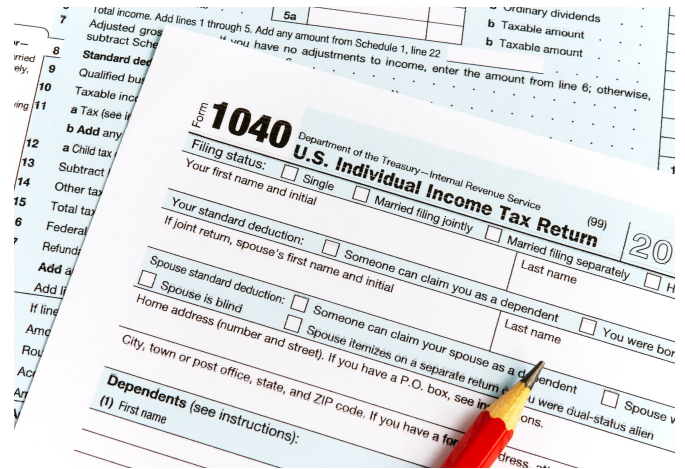
A TAX RETURN IS A STORY, NOT A PLAN

Even people who manage their finances carefully are regularly surprised by their tax results. This is not a failure of intelligence or attention. Behavioral research offers a clear explanation: people pay little attention to taxes when the effects are far off or indirect, and much sharper attention when those effects show up at filing time (Chetty, Looney, and Kroft, 2009; Finkelstein, 2009). The surprise is predictable. It is built into when and how tax consequences become visible.

The reason behind this pattern is well documented. Research on mental accounting shows that people naturally think about financial decisions in separate buckets: compensation in one, investments in another, charitable giving in another (Thaler, 1999). This is not irrational. It makes complex decisions manageable in the moment, but when choices are made in isolation, their combined effect stays hidden until something brings them all into the same view.

A TAX RETURN DOES NOT SHOW WHETHER INDIVIDUAL DECISIONS WERE SOUND. IT SHOWS WHAT HAPPENED WHEN ALL OF THEM LANDED IN THE SAME YEAR.

A tax return does exactly that. It pulls an entire financial year into a single document, with income timing, asset sales, benefit elections, charitable activity, and life events all appearing together for the first time. By then, every underlying decision has already been made. What the return reveals is not whether any individual choice was sound, but how all of them played out once they landed in the same year.



This matters because it changes where the explanation for unexpected results actually lies. A larger-than-expected tax bill is rarely the result of one wrong decision. It is more often the result of several reasonable decisions whose timing and overlap produced something nobody planned for.

The return records what happened. It does not judge the decisions that got you there. This is also why the same tax result can mean different things to different people. Two households with identical income and identical tax bills may have arrived there through entirely different sequences of decisions. One may have planned around a major financial event. The other may have made equally sound choices that simply landed in the same year in an unexpected way. The number on the return is the same. The story behind it is not.

Read this way, a tax return is less a report card than a record of how a year actually unfolded. It shows the timing and overlap of decisions that were never made with each other in mind. As financial lives grow more complex, that record becomes harder to read in hindsight and more valuable to understand before the year is over.

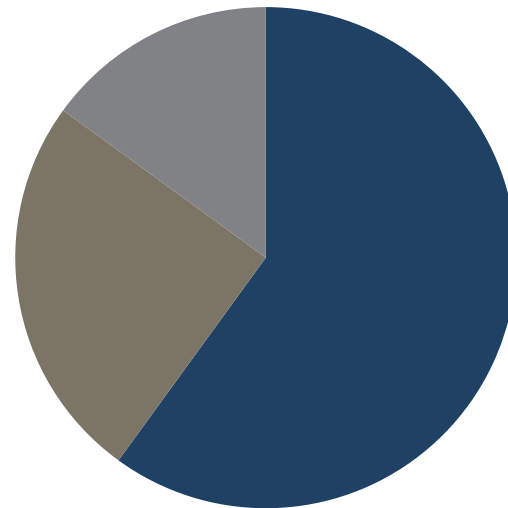
WHEN ONE DECISION ISN'T THE WHOLE PICTURE

For most households, a tax return reflects a single primary income stream. For higher-income households, it rarely does. IRS data shows that taxable income at higher levels typically arrives from several directions at once — wages, investment activity, and business income all appearing in the same return (Internal Revenue Service, Statistics of Income). Each stream has its own tax treatment, its own timing, and its own set of decisions attached to it. The chart below illustrates how that breakdown typically looks.

This matters because multiple streams mean multiple decision points, and those decisions are almost never made together. Compensation is negotiated with an employer. Investments are managed through a brokerage or advisor. Business income involves its own timing and distribution choices. These conversations happen in different places, with different people, at different times. No single discussion captures how all of the pieces will land together in the same tax year.

The interactions that result can produce outcomes that none of the individual decisions would have suggested on their own. A strong income year changes the rate at which investment gains are taxed. A liquidity event can push total income past thresholds that affect deduction limits or credit eligibility. The timing of a charitable contribution relative to a realized gain can significantly change its practical effect. None of these outcomes requires a mistake. They are the normal result of separate decisions arriving in the same tax year, where the tax system evaluates them not as individual choices but as a single combined picture.

What makes this particularly difficult to anticipate is that none of these interactions requires an unusual event or a large portfolio. They happen in ordinary years, to people making ordinary financial decisions, simply because those decisions were never evaluated as a group. A household does not need a dramatic financial year for these effects to appear. It only needs several reasonable decisions arriving in the same tax year without anyone having looked at how they would land together. That is the situation most higher-income households find themselves in, not because they are making poor choices, but because the structure of how financial decisions get made almost guarantees it.



■ Wages (60) ■ Investments (25) ■ Business (15)

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

WHY COMPLEXITY CHANGES THE MATH

Not every financial life carries the same level of interaction risk. For households with a single income stream and a straightforward investment portfolio, the pieces are relatively easy to see together. As financial complexity increases, that visibility shrinks. More income sources mean more decision points. More decision points mean more opportunities for reasonable choices to land in the same year in ways nobody planned for. The timing chart below illustrates one reason why: income rarely arrives evenly, and when multiple streams are involved, the peaks and valleys of each one can coincide in ways that are difficult to predict in advance.



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

For illustrative purposes only.

The Sources that Add Complexity

Equity compensation is one of the most common sources of added complexity for higher-income households. Vesting schedules and exercise windows create income events that are partially predictable but not always controllable. A block of restricted stock units vesting in a year when other income is already elevated can push total taxable income significantly higher than expected, changing the rate at which other gains are taxed and affecting deduction thresholds at the same time.

Business income introduces a different kind of complexity. Unlike wages, it can vary significantly both monthly and annually, and often involves

timing decisions around distributions and expenses that interact directly with personal income. A particularly strong business month or year that coincides with a planned investment sale or a real estate transaction can produce a tax result that none of those decisions would have suggested individually.

Real estate adds transaction timing to the mix. The decision of when to sell a property is rarely made with a full accounting of what else is happening in the same tax year. A property sale that generates a significant capital gain in a year when income is already high from other sources can move a household into territory where additional taxes apply that would not have been relevant in a lower income year.

Charitable giving, often treated as a straightforward decision, becomes more complex in this environment as well. The practical effect of a charitable contribution depends heavily on when it is made relative to when income is realized. The same gift made in two different years, or at two different points within the same year, can produce meaningfully different outcomes depending on what else has already landed in the return.

What This Means in Practice

Each of these elements is manageable on its own. The difficulty arises when several are active in the same year, which for many higher-income households is not the exception but the norm. The number of potential interactions grows faster than the number of decisions themselves, and the cost of those interactions landing badly increases with every additional moving part in play.

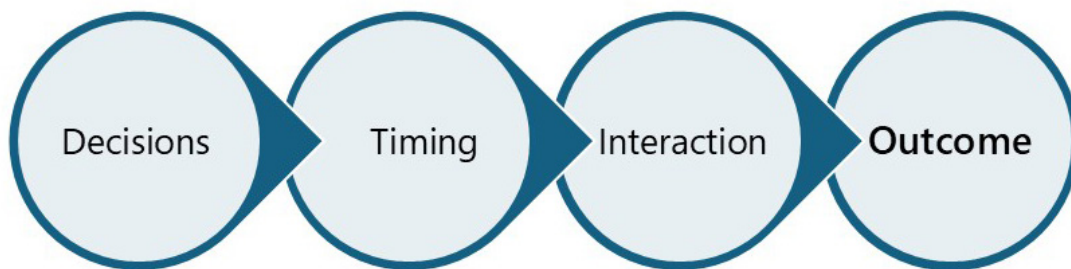
WHY MARCH IS THE RIGHT MOMENT

There is something counterintuitive about using tax season as a planning moment. The year is over. The decisions are made. Nothing on the return can be changed. On the surface, March seems like exactly the wrong time to think carefully about how your financial life is working.

But March is actually the only moment when the complete picture exists in one place. Every other point in the year, you are working with partial information. A compensation decision made in February has no way of knowing what the rest of the year will bring. An investment sale in July happens without full visibility into how income will land by December. Decisions get made one at a time, in separate conversations, with incomplete information about everything else in motion. March is when all of that finally comes together.

The return does not just show what you owe. It shows the full sequence of how you got there. It shows when income arrived, which sources overlapped, and where timing shaped the outcome in ways that may not have been visible while the year was unfolding. For households with multiple income streams, equity compensation, business income, or major transactions, that sequence can be surprisingly revealing.

The framework below offers a way to read that sequence. It is not a planning tool. It is a reading guide for understanding which part of the process produced the result you got, and where the story of last year actually begins.



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

The return is already in hand. The question is whether it gets filed and forgotten, or whether it gets read as the most complete financial summary of the year that most people will ever have access to. Used this way, March is not the end of last year. It is the best starting point for the year already underway.

FROM RETURN TO INSIGHT

For most people, the tax return gets filed and forgotten. It arrives late in the season, reflects decisions that can no longer be changed, and gets set aside until the same process begins again the following year. That rhythm is understandable. It is also a missed opportunity.

The return is the most complete financial summary most people will ever have access to. It shows not just what was owed, but when income arrived, which sources overlapped, and where timing shaped the outcome in ways that were difficult to see while the year was still unfolding. For households with multiple income streams and complex financial lives, that information is genuinely valuable, but only if someone takes the time to read it that way.

Reading it that way means asking different questions than the ones tax season normally prompts. Rather than focusing on the final number, the more useful inquiry is into the sequence that produced it. Where did income concentrate, and did that concentration interact with other decisions in ways that were difficult to anticipate? Were there choices that made sense individually but landed differently once everything else in the year was accounted for? Those questions are not about identifying mistakes. They are about understanding how the pieces of a financial year fit together, and whether they might fit together better going forward.

THE NUMBER ON THE LAST PAGE
IS THE END OF THE STORY.
EVERYTHING BEFORE IT IS WHERE
THE REAL INFORMATION LIVES.

For straightforward financial situations, those questions are relatively easy to answer. For households managing equity compensation, business income, real estate, charitable giving, and investment activity simultaneously, they are harder. The interactions are more numerous, the timing windows are narrower, and the cost of decisions not working together is higher. At that level of complexity, having someone who maintains a view across all of the streams, and who asks these questions as a matter of course rather than as an afterthought, changes what the return reveals and what gets done about it.

The difference between a return that closes a year and one that informs the next one comes down to how it is read. The numbers are the same either way. What changes is whether the story behind them is understood well enough to matter going forward.

A tax return is one of the few documents that tells a complete financial story. It does not tell you what to do next. It tells you what actually happened, in the sequence it happened, under the conditions that existed at the time. For households whose financial lives involve multiple income streams, significant assets, and decisions that compound across years, that story becomes more complex and more consequential with each passing year. The question worth asking in March is not simply what was owed, but what the return reveals about how the year actually unfolded, and what that means for the one already underway.

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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