

THOUGHT LEADER

THE WEALTH MANAGEMENT TAX STACK

The hidden costs that quietly erode wealth

Don't tip the IRS." It's a familiar mantra among tax-conscious investors. Yet while most business owners and executives focus on minimizing their tax obligations, far fewer recognize a different set of "taxes" quietly eroding their wealth.

These hidden costs don't appear on a tax return. They're embedded in products, incentives, fee models, and even in our own behavior. After working with families for decades, we've observed that long-term financial success depends as much on what you avoid as on what you earn. Reducing these avoidable drags remains one of the most effective ways to protect and grow wealth.

We call these hidden costs the **wealth management tax stack**.

The Advisory Fee Tax

Misalignment between fees and value can result in a six- or seven-figure erosion in wealth over time. The issue is more often structural than personal. Most advisors employ percentage-based fees that seem modest when presented as a small number, but they rise automatically as portfolios grow—whether additional value is added or not. As these dollar amounts scale, fees and value can drift apart, and even well-intentioned advisors may struggle to keep the value delivered proportional to the cost.

We advocate for a flat, predetermined fee tied to the work involved—not the size of your portfolio.

The Behavior Tax

Fear, overconfidence and impulse rank among the costliest emotions in investing. Selling during a downturn or chasing performance rarely ends well. These reactions feel rational in the moment but can have a meaningful impact on your wealth.



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The antidote isn't sharper instincts, more data or better timing. It's a partnership with an advisor who provides accountability, perspective and a framework for making decisions with discipline that keeps choices grounded in strategy rather than emotion.

The Efficiency Tax

This tax reflects the cost of deploying capital inefficiently—allocating resources in the wrong places or missing opportunities to optimize what you already have.

Expensive funds and complex products carry embedded fees that diminish returns. But efficiency extends beyond products. How you save, invest, give, pay down debt and protect your wealth all represent opportunities to do more with less. A comprehensive,

planning-first approach identifies these opportunities and helps ensure every dollar works as effectively as possible toward your goals.

The Conflict Tax

Charlie Munger famously said, "Show me the incentive and I will show you the outcome." When an advisor's compensation changes depending on where your money is allocated, advice may follow the incentive rather than the strategy best suited for you. These dynamics aren't always obvious, yet they can influence recommendations and client outcomes.

Objectivity begins with a structure that stays neutral whether you invest, pay down debt or pursue opportunities outside your portfolio. A transparent, flat fee reduces these hidden pressures so that recommendations remain aligned with what genuinely serves you.

The Bottom Line

Every unnecessary dollar paid in fees, lost to emotional decisions, or eroded by inefficiency is a dollar that stops compounding for you. Over decades, these hidden "taxes" can rival what you pay the IRS.

At PDS Planning, we help clients eliminate the avoidable costs. With a transparent fee structure and advice that's always aligned with your financial goals, we ensure more of your wealth works for you.

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