



OPTOMETRY WEALTH  
A D V I S O R S

# Keep More of What You Earn: A Tax-Smart Investing Guide for Optometrists

A practical checklist and decision guide to help ODs identify whether taxes may be quietly reducing their long-term returns.

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# Tax Location: The Basics

Tax location is putting the **most appropriate** types of investments into the **most appropriate** types of accounts. This approach can reduce the cost of taxes on your investments and can improve your long-term, after-tax investment returns.

1

## Taxable Accounts

Flexibility, but investment income taxed each year

Individual, joint tenants, living trust accounts

2

## Tax-Deferred / Pre-Tax

Deduction up front, taxed as ordinary income when withdrawn

401(k)s, Traditional IRAs, SIMPLE IRAs, etc.

3

## Tax-Free

Tax-free for "qualified" withdrawals (i.e., when the rules are met).

Roth 401(k)s, Roth IRAs

4

## Health Savings Accounts (HSAs)

Triple tax advantage - deduction up front, tax-free for healthcare expenses

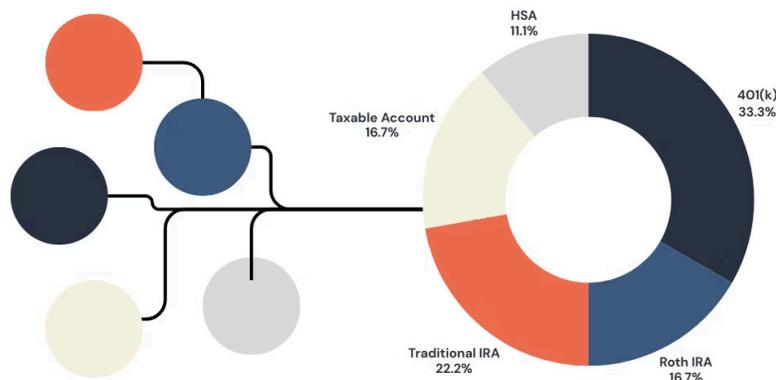
States may treat differently (looking at you, CA...)

### ❏ One Portfolio → Multiple Accounts

Think of all your household accounts used for the **same goal** as one big household mix.

Rather than invest each on its own, you can invest them together - managing taxes along the way.

## Household Investments

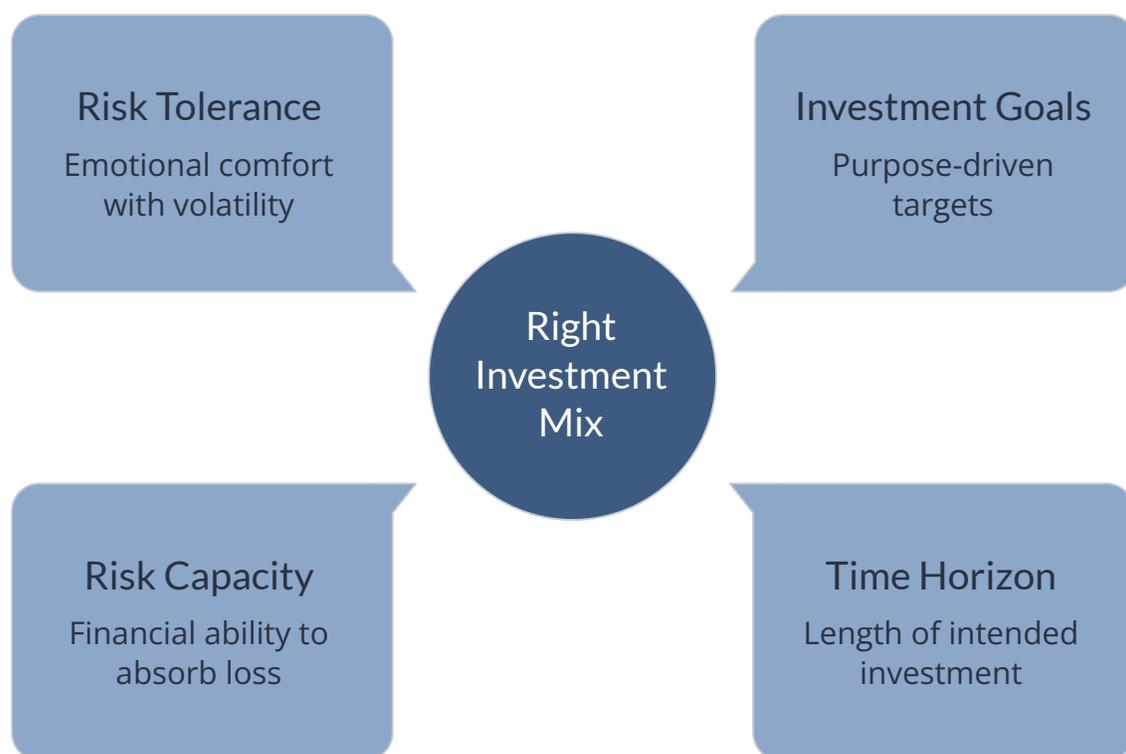


# Step 1: Know the Right Mix for Your Family

The first step is determining the right mix of investments that makes sense for your family - what percentage of stocks vs. bonds, and other investments?

This should be based on your goals, how long you'll be invested, your family's financial ability to handle investment risk, and lastly your ability to handle the ups and downs of investing and stay invested (i.e., risk tolerance).

This becomes the target for your household investments - at least, the ones used for that goal. Different goals will have different appropriate mixes of stocks vs. bonds - much of this guide is focused on long-term investments for financial independence.



Understanding these key factors allows for a tailored investment approach that aligns with your family's unique financial situation and goals.

## Step 2: Know What Accounts You Have

Jot down the rough totals of the different accounts you have - including employer plans, old retirement accounts, trust or joint accounts, and everything else.

Account Type	Approximate Total Balance (\$)
Taxable brokerage accounts	
Traditional IRA	
Roth IRA	
Pre-tax 401(k)	
Roth 401(k)	
Health Savings Account (HSA)	
Other:	
Other:	
<b>Total:</b>	

### Want to Learn More?

 Listen to [Episode 153 of The Optometry Money Podcast](#) for a deeper dive into these exact tax location strategies and how to implement them effectively.

## Step 3: Know What You Own

Different investments generate different types of income - some ordinary income, others qualified dividends, and then there are potential capital gains when you sell.

This step helps you classify what you own by general tax characteristics.

Investment Type	Type of Income Created
Broad U.S. stock funds	Often mostly qualified dividends, capital gains
International stock funds	Often mix of qualified and non-qualified dividends, capital gains
Emerging market stock funds	Often mostly non-qualified dividends, capital gains
Taxable bond funds	Interest - Ordinary income
Municipal bond funds	Federal tax-exempt interest income
US Treasuries (or fund)	State tax-exempt interest income
REITs	Mostly ordinary income; possible 199A deduction
Actively managed equity funds	Higher turnover and capital gain distributions
Passive Funds (index or factor-based funds)	Generally lower turnover and tax-efficient

You can usually find this on your 1099-DIV / 1099-INT, fund tax information page, or by looking at the fund's distribution history.

## Review Your Holdings

For each investment you hold, consider:

- Does this investment generate a lot of income? Mostly ordinary income?
- Does it distribute capital gains regularly?
- Is trading / turnover high or low?
- Is this generally considered tax-efficient or tax-inefficient?

## Step 4. Put The Right Investments in the Right Account

Now you can rearrange the investments, putting the most appropriate types of investments in the most appropriate types of accounts.

**Keep in mind any constraints you're working with.** In practice, asset location often involves tradeoffs - taxes, account size limits, available investment options, and rebalancing needs all matter.

For example, would you create too much capital gains tax if you sell in your taxable accounts? Or are your 401(k) account investment options limited?

These are **general** educational guidelines - the right decisions depend on your unique circumstances.

### General Asset Location Reference Guide

Investment Type	Often Best Located In	Key Reason
Taxable bonds	Traditional IRA / 401(k)	Shields ordinary income from annual taxation
REITs	Traditional IRA, Roth, or HSA	Distributions typically taxed as ordinary income May benefit from QBI deduction
Broad <b>US</b> or <b>International Developed</b> stock mutual funds / ETFs	Taxable accounts, Retirement Accounts, Roth IRAs	Tax-efficient, potential for qualified dividends and long-term capital gains treatment
Broad Emerging Market stock mutual funds / ETFs	Roth IRAs & 401(k)s, HSAs, Retirement Accounts	Potential preferential capital gains rates Dividends often mostly non-qualified
Active, High-turnover or high income funds	Retirement accounts	Avoids frequent taxable distributions and income
Assets with higher expected long-term growth	Roth accounts / HSAs when possible	Maximizes tax-free compounding
Municipal bonds	Taxable accounts	Already tax-exempt; wasted in retirement accounts

# Putting It Into Practice: Your Asset Location Map

## ☐ Target Asset Mix (Whole Portfolio)

- Target % in Stocks: \_\_\_\_\_ %
- Target % in Bonds: \_\_\_\_\_ %

All accounts below should work together to support this overall mix.

Account Type	Often Prioritized Here First	Funds / Investments I Plan to Hold Here
Taxable Brokerage	Broad, tax-efficient equity investments; Municipal bonds	_____ _____ _____ _____
Traditional IRA / 401(k)	Ordinary-income-generating investments; Tax-inefficient strategies	_____ _____ _____ _____
Roth IRA / Roth 401(k)	Higher expected growth assets; Long-term compounding assets	_____ _____ _____ _____
HSA	Long-term compounding assets; Higher expected growth assets	_____ _____ _____ _____

These are common asset-location tendencies, not requirements. Actual placement depends on account sizes, available investment options, and your individual circumstances. *Seek professional guidance when making investment decisions.*

## ☐ Reality Check

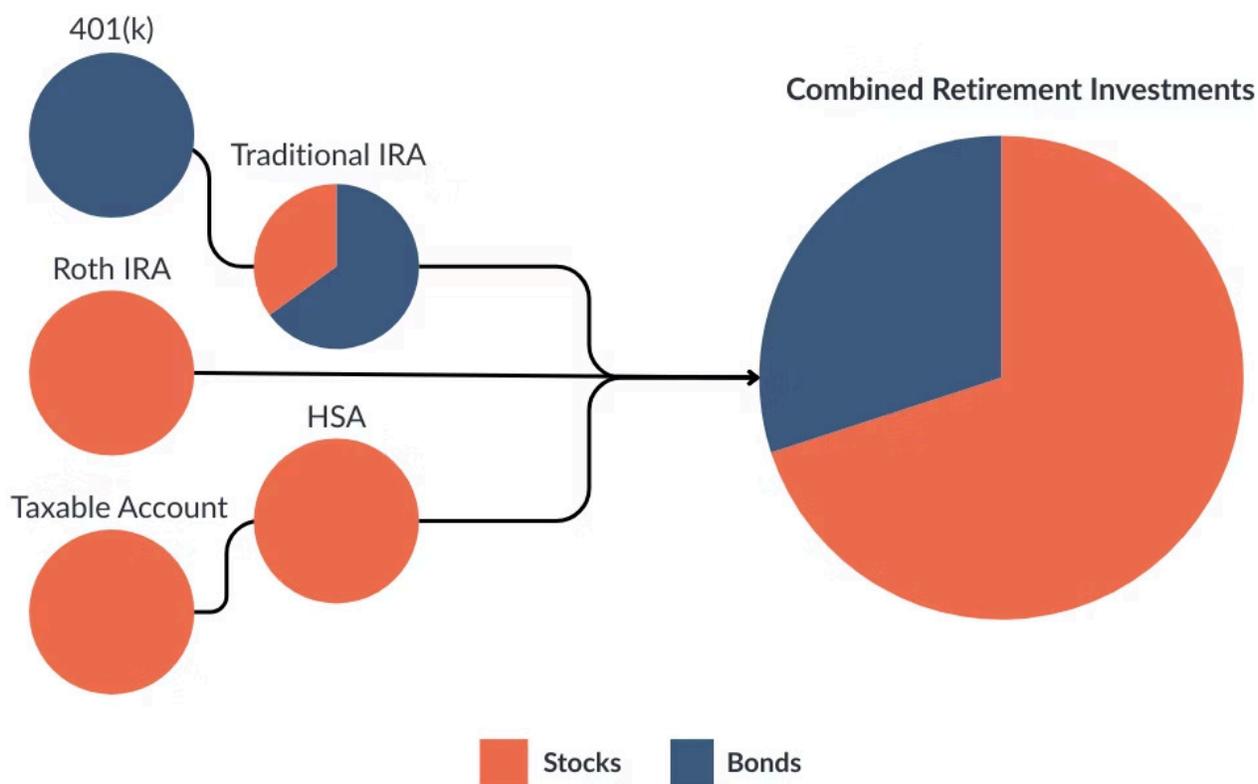
- Does it all add up to my target mix of stocks / bonds?
- Do I have sufficient tax-deferred space for most of my bond exposure?
- Does my Roth account emphasize long-term growth when possible?
- Am I minimizing tax-inefficient income in taxable accounts when feasible?

# The Result: Investments That Work Together

When you apply tax location principles, your separate accounts work together as one holistic portfolio.

They go from chaos to coordinated - each account holding the investments best suited to its tax treatment, while maintaining your target asset allocation across the whole.

Over time, this coordination can help improve after-tax outcomes without changing your overall investment risk





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So decisions on one side go hand in hand with the other

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So your investments, taxes, and overall finances can work together more efficiently

We help optometrists make confident, tax-aware financial decisions at each stage of their career.



**Book your Free Consultation today!**

If you'd like a second set of eyes on your asset location - or want to sanity-check what you've sketched out here - we're happy to help.

**Educational Disclosure**

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