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WEALTH MANAGEMENT | ADVISER PROFILE

## Helping Clients Pare Company Stock

Advisers need strategies to minimize taxes, maximize returns—and navigate emotional attachments

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### Abigail Gunderson

- Wealth adviser at Tanglewood Total Wealth Management, Houston
- Education: B.S., Ateneo de Manila University, Philippines
- Professional designations: Certified Financial Planner



Ms. Gunderson helps reluctant diversifiers recognize the risk of maintaining a concentrated stock position by running retirement scenarios showing the level of income that well-diversified portfolios can generate versus large holdings of a company's stock PHOTO: TANGLEWOOD TOTAL WEALTH MANAGEMENT

**Background:** With a degree in industrial engineering, Ms. Gunderson worked for the first part of her career as a crew procedures engineer for NASA. But after her husband nudged her to read a personal-finance book, “The Wealthy Barber,” she began contemplating a career in the financial industry. After staying home with her son for five years, she secured a job with an insurance company before settling in the advisory field.

**Her practice:** Ms. Gunderson’s firm manages more than \$900 million for 450 households. She works personally with about 80 families, focusing on retirement, tax and estate planning. A significant portion of her clients are retirees from a large oil company whose retirement accounts hold a large concentration of company stock.

**On harnessing net unrealized appreciation:** Many of her oil company clients spent their entire careers in middle management, acquiring stock at rock-bottom prices. In some cases stock prices have ballooned over time, leaving some clients with upward of \$1 million in company stock in their 401(k). Ms. Gunderson advises these clients to harness the net unrealized appreciation, or NUA, of their company stocks to minimize their taxes. By transferring company stock shares from their tax-deferred 401(k) to a brokerage account, clients can minimize their taxes when they sell. They pay income tax only on the cost basis, and they pay the much-lower long-term capital gains rate on the NUA.

**Another way to reduce stock:** Another approach Ms. Gunderson takes to reduce high concentrations of company stock is to use dollar-cost averaging in reverse, selling at regular intervals instead of buying as with the traditional approach. “If a client needs \$7,000 a month from their portfolio, we’ll sell enough of the stock each month to raise the funds,” she says. “By selling every month at the market price, clients avoid timing the market.”

**On emotional attachment to company stock:** Ms. Gunderson notes that some clients find it challenging to let go of their company stock. “Since accumulating so much stock over their

working years contributed to their wealth, some have a hard time selling it,” she says. For reluctant diversifiers, the adviser illustrates the risk of holding on to a large portion of company stocks by running retirement scenarios showing the level of income that well-diversified portfolios can generate for their retirement versus their expected returns if they kept a large portion of their portfolio in company stock. Having a visual helps them loosen their attachment to their company stock, she says

**On the biggest industry challenge:** After meeting with clients whose previous advisers haven’t always looked after the client’s best interests, Ms. Gunderson is concerned with the number of professionals who don’t adhere to their fiduciary responsibility. “As advisers, we need to remember that the ongoing advice we render should make a positive impact not only in our clients’ financial lives, but in their families’ overall wellbeing,” she says.

**If she weren’t an adviser:** Ms. Gunderson, an avid traveler, says she’d work for the Travel Channel if she had to choose a second career. She and her husband are currently planning a European vacation to celebrate their 25th anniversary.

—*Compiled by Lynn Shattuck*

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