TURNING HIGH EARNINGS INTO WEALTH

The financial guide for *HENRYs*

High Earner, Not Rich Yet. A good income is the raw material. It is not the plan.



ABRI

2026 EDITION · CONTRIBUTION LIMITS AND THRESHOLDS UPDATED FOR THE CURRENT TAX YEAR.

Are you a *HENRY?*

You earn well. On paper you are doing better than most people you grew up with. And yet the balance sheet does not look like the paycheck, because a high income comes attached to a high tax bill, a high cost of living, and a lifestyle that expanded quietly every time you got a raise.

Roughly one in five households earning $150,000 or more spends over 95% of that income on essentials: housing, taxes, utilities. Earning more did not solve it. Deciding what happens to the money before it arrives does.

This guide is eight decisions, in the order they matter.

THE EIGHT

- Budget and save on purpose
- Maximize retirement contributions
- Diversify the investments
- Plan the major expenses
- Optimize taxes
- Manage debt deliberately
- Work with an advisor
- Build retirement income, and stay adaptive

01

Prioritize budgeting *and saving*

A strong foundation is cash flow management plus a consistent savings rate. Income level does not protect you from poor cash flow; it just raises the stakes.

Start with an emergency fund covering three to six months of living expenses. Keep it in a high-yield savings account, not CDs or bonds: you want interest, FDIC protection, and same-day access. Then aim to save 10% to 20% of income for long-term goals. Starting in your twenties, 10% to 15% keeps you on track. Starting in your thirties, it takes 20% to 30%.

The thing that actually derails high earners is lifestyle inflation. When income grows, savings has to grow with it, or the raise disappears into the run rate.

PRACTICAL STEPS

- Split cash flow into essentials 60%, discretionary 20%, savings and investments 20%.
- Track spending with a tool you will actually open, and review it monthly.
- Set specific, dated goals. "Save more" is not a goal; "$60,000 down payment by June 2028" is.

THE ONE HACK THAT WORKS

Automate it. Treat saving as a non-negotiable bill that leaves the account before you see it, then live on the rest. Every plan that depends on willpower at the end of the month eventually loses to the end of the month.

02

Maximize retirement *contributions*

The median 401(k) balance for high-income workers aged 35 to 44 sits near $93,000. Against current costs, that is not a retirement. It is a start that stalled.

Retirement accounts earn their place through tax treatment nothing else offers. The order is straightforward. Contribute to the 401(k) at least up to the full employer match, because that match is an immediate return you cannot get anywhere else. Then, if you are eligible, a Roth IRA: tax-free growth, tax-free qualified withdrawals, and access to your own contributions along the way without penalty.

Over the Roth income limits? The backdoor Roth still works: contribute to a non-deductible traditional IRA, then convert. It is available at any income level, and it has rules worth getting right, including the pro-rata rule if you hold other traditional IRA balances. Ask a tax professional before the first one.

2026 LIMIT	AMOUNT	CATCH-UP
401(k) employee deferral	$24,500	$8,000 at 50+, $11,250 at 60 to 63
Traditional and Roth IRA	$7,500	$1,100 at 50+
Total 401(k) additions, all sources	$72,000	Plus catch-up
HSA, self-only and family	$4,400 and $8,750	$1,000 at 55+
Roth IRA phase-out	$153,000 to $168,000 single	$242,000 to $252,000 joint

Action steps. Use the mega backdoor Roth if your plan allows after-tax contributions and in-service conversions, since the gap between $24,500 and $72,000 is real money. Balance traditional and Roth if you genuinely do not know whether your future rate is higher. Raise your contribution rate with every raise, before the money reaches your checking account. Review it annually against bonuses.

Worth knowing this year: if you earned more than $150,000 in FICA wages from your employer last year, catch-up contributions must now be made on a Roth basis. There is no pre-tax option for those dollars.

03

Diversify investment *strategies*

The account is the vehicle. It sets how much goes in, how it is taxed, and when you can take it out. The investments inside are the fuel, and they determine whether the thing moves.

Build a portfolio that matches your risk tolerance and timeline: stocks, bonds, funds, and where appropriate alternatives like REITs. Concentration can raise returns and reliably raises risk. Diversification is the cheapest risk reduction available.

Location matters as much as allocation. Hold high-growth assets in tax-advantaged accounts and lower-drag assets, like municipal bonds or low-turnover ETFs, in taxable accounts. Tax drag compounds against you the same way returns compound for you.

A BALANCED PORTFOLIO

- If you are young, something like 90% stocks and 10% bonds is a reasonable baseline, adjusted for your goals and appetite.
- Rebalance annually to hold the target and trim risk that built up quietly.

PASSIVE INCOME OPTIONS

- Rental property, for income plus appreciation. A property manager buys back the time.
- Dividend-paying equities, reinvested while you are still working.
- A business built on skills you already have: consulting, e-commerce, content.

Real estate carries tax benefits that, structured correctly, can reduce the taxable income from your day job. The structure is where the value is, and where the mistakes are.

04



Plan for major life *expenses*

A house and a college education are the two purchases most capable of quietly rewriting a financial plan. Both are manageable if they are decided in advance rather than absorbed as they arrive.

Keep total housing costs, meaning mortgage, interest, taxes, insurance, and utilities, under 30% of take-home pay. Your home should be an asset, not a second job.

For education, 529 plans grow tax-free for qualified expenses and many states add a deduction for contributions. If you want flexibility about how the money gets used, a UTMA account is tax-efficient and carries no penalty for non-education spending, at the cost of handing control to the child at majority.

HOMEOWNERSHIP

- 5% down is often possible; 20% avoids private mortgage insurance entirely.
- Budget maintenance, property tax, and HOA fees inside the 30%, not on top of it.
- Buy against what you can carry comfortably, not what you were approved for.

FOR YOUR FAMILY

- Start a child's fund early. Compounding needs years more than it needs dollars.
- Put a will or trust in place. High earners without documents leave the largest messes.
- Carry enough life insurance to replace the income the plan assumes.

05



Optimize *taxes*

For a high W-2 earner, tax is usually the largest single line item in the year. There are three main levers.

Traditional retirement accounts. Every pre-tax dollar reduces this year's taxable income. You will pay later, but at a rate you can plan around.

The HSA. Pair a high-deductible health plan with a maxed HSA and you get all three benefits at once: deductible going in, tax-free growth, tax-free out for qualified medical costs. No other account does all three.

Tax-loss harvesting. In a taxable account, realized losses offset realized gains, and up to $3,000 of net loss offsets ordinary income each year with the remainder carrying forward. Mind the 30-day wash sale window.

FURTHER IDEAS

- Municipal bonds for federally tax-free interest in taxable accounts.
- Bunch charitable gifts into one year to clear the $32,200 standard deduction, using a donor-advised fund to take the deduction now and grant later. New for 2026: itemized charitable deductions only count above 0.5% of adjusted gross income, which makes bunching more valuable.
- Defer income or accelerate deductions in unusually high-income years.
- The SALT cap is $40,400 for 2026 and phases down above $505,000 of income, reverting to $10,000 after 2029. If you itemize, these are the years to time state and property tax payments.

06



Manage debt *wisely*

Among high earners living paycheck to paycheck, 62% use credit cards to bridge the gap. Carried month to month, that balance erodes wealth faster than any investment builds it.

Clear high-interest debt first. Keep low-interest, productive debt like a mortgage, which buys an appreciating asset. Refinance when rates justify the cost, and put the freed cash flow to work rather than absorbing it into spending. Debt used deliberately is a tool. Debt by default is a tax on your income.

THREE MOVES

- Pick a method and stick to it: avalanche for the math, snowball for the momentum.
- Consolidate where it simplifies payments or lowers the rate, not to feel organized.
- Check your credit report for errors annually. A better score is worth real money on the next mortgage.

07

Work with an *advisor*

Balancing a large tax bill against ambitious goals is where planning gets genuinely complicated. A fiduciary advisor, a personal CFO, aligns the savings, the investments, and the tax strategy into one plan, and keeps it intact through market drops and job changes.

WHAT A GOOD ONE DOES

Finds the gaps you cannot see from inside your own plan, removes cost that is not buying you anything, and positions the portfolio for the goals you actually named.

HOW TO CHOOSE ONE

Look for CFP or CFA credentials, ask directly whether they are a fiduciary at all times, and choose someone who works with high earners regularly. Fee-only, fiduciary advice is the only kind with no product commission behind the recommendation.

08

Retirement income, and *staying adaptive*

A sustainable income stream is the last problem and the one people prepare for least. Passive income from rental property or dividend-paying equities can carry part of it. Insurance products have improved: commission-free annuities now exist that provide predictable lifetime payments without the cost structure that earned the category its reputation. There is no single right answer, which is exactly why the sources should be diversified enough to survive a bad market year.

INCOME IDEAS

- Part-time consulting or freelancing, which supplements income and delays drawdown.
- Low-cost index funds for the long-growth portion of the portfolio.
- A bond ladder for predictable income while managing interest rate risk.

The rest is maintenance. Markets move, tax law changes, and your own circumstances change faster than either. Review the plan on a schedule and again at every major life event: a marriage, a child, a move, a new job, an inheritance. Proactive beats reactive by a wide margin, and the review is cheap.

In *closing*

Your income is your greatest asset today. It is also temporary in a way that wealth is not. Turning one into the other is a series of ordinary decisions, made deliberately and repeated: save automatically, fill the tax-advantaged accounts, diversify what is inside them, plan the big purchases, and get a second set of eyes on the whole thing.

Start now and you get to enjoy the journey rather than sprint at the end of it.

GET IN TOUCH

Share your story and see if we're a fit.

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