
WEALTH STRUCTURES / WRAPPER ENGINEERING

Asset Location: Same Assets, *Different* Laws

Allocation picks the risk. Location picks the tax character. Confuse them and you will optimize the wrong variable brilliantly.

SYSTEM ARCHETYPE 030

Asset Location / *Wrappers* /

Asset location matches investments to account types—traditional, Roth, taxable—based on tax drag, growth expectations, and liquidity needs. It

is the implementation layer for three-bucket policy, tax-loss harvesting, rate sensitivity, and boundary critique across modules you actually own.

1. Location Is *Character*

Asset location asks a different question than asset allocation: not "what do I own?" but "which legal and tax wrapper should own it?" A high-growth stock in a Roth differs from the same stock in a brokerage differs from the same stock in a pre-tax 401(k)—same ticker, different physics for return, basis, and withdrawal.

Map wrappers with boundary critique: each account is a module with its own tax rules, creditor posture, and distribution constraints.

"Allocation is strategy. Location is engineering."

2. Pre-Tax vs. *Roth* vs. Taxable

Pre-tax space rewards deferral: ordinary income on withdrawal, RMDs later in life, excellent for bonds and high-tax-drag assets in many plans. Roth space rewards tax-free compounding: precious for high expected growth and for assets you hope never to reflow through the IRS again. Taxable space offers basis step-up potential, loss harvesting, and flexibility—see [tax-loss harvesting](#).

3. Rate Risk and *Sequencing*

Your future marginal rate is a parameter, not a prophecy. [System sensitivity](#) thinking suggests scenario-testing Roth conversions and retirement timing—not because you can forecast perfectly, but because you can bound regret.

LOCATION MATRIX

01

List every wrapper

401(k), Roth IRA, HSA, brokerage, deferred comp—each gets a row.

02

Score each asset's tax drag

Yield, turnover, return type—bond coupons vs. equity appreciation vs. REIT ordinary chunks.

03

Place high-growth where law rewards patience

Often Roth for maximal tax-free compounding; often tax-deferred for high-tax ordinary income assets—personalize with counsel.

04

Align buckets and tax wrappers

The spending bucket needs predictable refills—use three-bucket policy for rules, then place instruments so withdrawals do not spike marginal rates.

4. Employer Stock and *Concentration*

RSUs inside plans can silently violate your diversification story. Location plus modularity means capping employer equity and scheduling diversification without emotional market calls.

5. Structures Beyond *Retail*

As complexity rises, trusts and FLPs interact with location decisions. The map is not three accounts anymore; it is a system graph—draw it before you move size.

Build the *lattice*, not the legend.

Return to the Reading hub for essays, tools, and the rest of the 100-topic map.

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