THINKING ABOUT STARTING YOUR OWN BUSINESS AND EVENTUALLY SELLING IT OR TAKING IT PUBLIC?

HERE'S WHAT SAVVY ENTREPRENEURS NEED TO KNOW:

START

AT THE START

- Make sure you've set up the company structure correctly (C-Corp, LLC, etc.)
- Choose the right board of advisors
- Add key person insurance in case something happens to a member of your founding team

BUT WHAT ABOUT YOU?

- Did you file the correct QSBS paperwork? Doing this right could potentially save you millions in taxes if all goes well when you sell your founder's stock
- Did you file an 83b election if you have stock options?
- Set up your personal team of advisors. Aligning yourself with experienced and proactive tax and financial advisors could save you money in the long run -- and they'll look out for you along the way
- Educate yourself on the various estate tax strategies that are available to you (GRAT, FLP, etc.)
- How should liability and key person insurance be structured?

AS YOUR COMPANY GROWS

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Many entrepreneurs see an inflection point where they believe there is a high chance of a liquidity event on the near horizon. At this point, Founders might consider:

- Offering loans and early vesting of option grants to key employees
- Weighing whether to offer loans to exercise options
- Inviting your personal advisory team to bring lunch and educate your key employees on strategies they should consider. They'll thank you!
- Revisiting basic estate planning techniques and liability insurance coverage

Or, in other words…PROTECTING ASSETS
The last thing a successful business owner needs is his or her hard-earned gains wiped out via a lawsuit, accident or other misfortune.

GETTING LIQUID

A LIQUIDITY EVENT
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START

Astute innovators understand now is not the time to rest on their laurels. After all the positives and negatives have been fully scrutinized, it's time to consider which path to take:

BOUGHT OUT FOR CASH?

- Figure out a budget you can live with and stick to it!
- Hold your stock for 5 years or longer and file the right QSBS paperwork. If not, there may still be ways to maximize what you get after taxes.
- Ask your tax advisor which IRS payments need to be made now and which can be deferred. Don't get penalized because you didn't know.
- Invest the cash you receive. No matter what else happens, at the very least, you'll have this as an asset after all your hard work.Take some chances, but be smart about it! By now you should be able to rely on the guidance of your personal financial team.
- Make sure you are fully protected against people trying to take what you've made. Liability insurance coverage and asset protection strategies are really important now.

OR

GOING IPO OR MAYBE YOU GOT BOUGHT OUT BY A PUBLIC COMPANY FOR STOCK INSTEAD OF CASH?

Realize that everything for a Cash Buyout applies here too, but now EVERYONE is watching you so be aware of how and when you sell stock.

- Get a 10b5-1 selling plan in place. Know what you can and can't do as well as what's normally done.
- Have your personal financial team work up a plan with you to integrate stock option grants, RSUs and stock that you own into one optimal selling plan to get the maximum after tax dollar amount. It can be done!
- Put the cash you get into a very safe and liquid portfolio that acts like a buffer if your company stock falls. At least you have what you pulled out!
- Revisit estate planning issues depending on your family status and what kind of footprint you want to leave on the planet when you're gone.

I.E. The "barbell" approach to investing -- hold company stock on one end and attain stability through liquid investments on the other

CONGRATULATIONS! YOU MADE IT THIS FAR.

NOW FOCUS ON THESE THINGS TO MANAGE YOUR NEW TAX BRACKET!

- Think about how you eventually want to be remembered when you're gone. Believe it or not, it really makes a difference.
- Spread your risk so that you own many different assets.
- Buy a home. There are potential tax savings there too!
- Own a liquid, well-diversified portfolio at a very safe bank. Your advisors should be fiduciaries. In other words, they should sit on the same side of the table as you do.
- Have a disciplined approach to investing in your friends' startups. Don't lose what you made. It happens all the time.
- Prepare to have friends and family start coming to you for money. Think about a Family Bank structure through a corporate trustee that you can point to with parameters YOU establish. That takes you out of the uncomfortable position of saying NO.
- Find the causes you want to support. There are many different ways to fund it AND, in some cases, even get paid an income stream for the rest of your life from the same asset.

Some of these giving strategies have been used by the wealthiest families in America – and yet - they still manage to stay wealthy. All we see is that Ted Turner donated $1 billion dollars to a cause. What we didn't see was that he actually made money on the deal!

YOU'VE REACHED THE END! YOU'RE A SUCCESSFUL ENTREPRENEUR!

Gordian
WEALTH ADVISORS