

Managing concentrated stock

As founder and CEO of a small-cap public healthcare company, Lynne knew intimately that any personal decision to buy or sell shares in her company stock likely would be closely scrutinized and potentially misinterpreted by the market and others including employees, competitors and industry observers. As owner of roughly 10% of the company's shares outstanding, her actions could easily disrupt the company stock price and daily trading activity.



Planning and advice to help you focus on what matters in life.

Lynne's concentrated position in her company not only posed a risk to her and her family's net worth, it also restricted the stock's appreciation potential. Unfortunately, her opportunities for trading stock were limited because she was often in possession of material nonpublic information and subject to her company's restrictive trading policies. Finally, since her original cost basis was well below today's price, she has a sizable capital gains tax liability as well.

After meeting with Lynne and her husband, we discovered that, in addition to diversifying a portion of her company stock, they also had a strong interest in protecting clean rivers and streams. Working with their attorney and accountant, we advised Lynne to transfer a portion of her stock to a family foundation. Once the stock transfer was completed, we created two Rule 10b5-1 trading plans to sell stock in both the foundation's and Lynne's name. Creating 10b5-1 plans in Lynne's name and the family foundation created a tax-efficient strategy to sell stock on a continuous basis throughout the year, increase the stock's public float, diversify Lynne's concentrated stock position, provide liquidity, and fund significant charitable gifts.

Next, we reviewed how well Lynne and her husband's assets were aligned to their future spending priorities. Unlike most investment reviews which track portfolio performance against standardized indexes like the S&P 500, we developed a personalized benchmark to compare Lynne and her husband's progress toward achieving their own financial goals. Using conservative investment return assumptions, we projected that Lynne could potentially retire at 60 and achieve all of their goals.

Finally, we helped coordinate the consolidation of Lynne's retirement, brokerage, checking and savings accounts in a coordinated investment strategy managed by our team and through Wells Fargo affiliates. We also introduced her to a property & casualty agent who works with affluent homeowners to review their real asset coverages. Finally, our bank affiliates helped organize her mortgage, credit cards, and other external accounts on a single platform, giving Lynne and her husband a consolidated view of their entire financial life.

Regularly, we meet with Lynne and her husband to make sure they are on track to achieve their goals.

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