



# 13 Tips To Consider When Your Company Announces It's Going Public

*By Sheila Schroeder*

I was 33 years old when the company I was working for went public; it was my first participation in an IPO (initial public offering) and a time of excitement and anticipation. The company didn't provide much guidance on how to manage or think about it and in fairness, very few companies provide much guidance around equity compensation.

Fortunately, early on I connected with a financial advisor and did the research to navigate through several key decision points with good outcomes (there were a couple missteps-more on that below). Together we considered: 1) What do I have and need to do?, 2) What are the tax implications, and 3) What are the lifestyle implications? The process was helpful and there were valuable lessons learned for anyone in the same position. With so many of our local companies going public this year, these are lessons I'm quick to share with friends and colleagues.

If your company is going public this year, I encourage you to consider these 13 tips to help you maximize your outcome while avoiding some common missteps.

## 1. Figure Out What Type of Equity Compensation You Have.

Are they Incentive, Non-Qualified, Restricted Stock units, Restricted Stock, or Stock Appreciation Rights? Knowing the type of equity you have, how they work, and their tax implications will help you formulate a plan with your advisor.

## 2. Find Out Who Is Eligible.

Ask your firm who is eligible or will be offered a chance to make an 83(b) election(1). If you are eligible, find out the timeline and how they need to be recorded so you don't miss windows for execution.

## 3. Early Exercise Or Wait For The IPO?

If you are eligible for early exercise of unvested options, weigh the cost of early exercise vs. waiting for the IPO and the stock price at that time.

#### 4. Be Clear On What Your Stock Agreements Allow.

Do they limit your ability to sell or transfer shares if your employment circumstances change? Be aware of when your options and equity compensation vest. If you are considering leaving your company, check to see if you have any grants vesting and if it makes sense to delay leaving till after your equity vests.

#### 5. Delay Or Accelerate?

It's definitely worth consulting your financial advisor and your accountant to get ahead of the curve regarding delaying or accelerating things like deductions in the year of the IPO.

#### 6. Prepare For Solicitations.

Everyone will know your company has gone public and some will reach out to you. How will you respond to solicitations for giving-whether it's a request from extended family, long-lost friends, or philanthropic organizations. Your advisor can help you formulate a giving plan so that you can turn to it when people come knocking on your door. Speak with your advisor about options such as a Donor Advised Fund. (DAF).

#### 7. Think About What "Work Optional" Means To You And How This Financial Event Can Contribute To That Goal.

Your advisor can help you design a plan to create a path toward financial independence for yourself and your family. She can help you think through your financial goals such as buying a home, funding your children's education, or helping your parents in their retirement. An advisor will also help you optimize your taxes, think about the implications of too much portfolio concentration, or the impact of a future job change. Holistically bringing together your financial and life goals will help you maximize your opportunities.

#### 8. Consider Your Trust And Estate

Consult with a trust and estate attorney to discuss what advanced estate planning possibilities of wealth transfer (i.e. to your children) that could be put into place prior to an IPO. If you don't already have an attorney, your advisor should be able to make an introduction.

#### Some additional insight from one of our tax professionals(2):

#### 9. Always Seek Professional Tax Advice Before Exercising Any Stock.

Spend some money to understand what your stock options mean to you. The earlier the better here and can be money well spent. You don't want this to be a cram session, you want time to digest everything...which includes the nomenclature around the exercise (e.g. strike price, fair market value, non-qualified, incentive stock options, alternative minimum tax, early exercise, 83b etc.).

#### 10. Understand Before You Act

Have that professional run a tax projection to understand the magnitude of your transaction BEFORE you do anything. The projection plays out the transaction on paper from a tax standpoint. This will put a number to your transaction and can allow for tax planning ideas to present themselves at that time.

#### 11. Begin To Seek Advice From A Financial Advisor.

Once you've done your tax due diligence and have an idea of what your cash is going to look like, this is often the time to start to build a team around you. Having an accountant and a financial advisor that talk to each other on your behalf can reap many rewards (e.g. swift communication, idea sharing, tax opportunities, etc.) They can help you execute on a plan that makes sense for you.



#### Defining Work Optional

*Your advisor can help you design a plan to create a path toward financial independence for yourself and your family. An advisor will also help you optimize your taxes, think about the implications of too much portfolio concentration, or the impact of a future job change.*



#### Assembling Your Team

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### 12. Once The Stock Goes IPO, Don't Watch The Stock!

IPO stocks tend to “pop” in the first days/weeks. Investors know when your 6 month lock up expires and may take the stock for a wild ride before then. If you are heavily invested this can drive you crazy watching the changes in the stock and your account value going up and down. Also be aware of earnings reports and how they affect stock price.

### 13. You Don't Need To Sell Once Your 6 Month Lock Up Is Over.

It might be exciting to cash out right away but we (your accountant) may need you to hold on to grab long-term capital gains rates! Again, talk to your team before you sell!

These are just a few of the tasks an experienced financial advisor can help you with, so to learn more about your options and to find the right financial advisor for you, contact us today. It's the best way to ensure the excitement of this big change in your life continues to benefit you in the months and years ahead.

(1) What is 83(b) Election? The 83(b) election is a provision under the Internal Revenue Code (IRC) which gives an employee, or startup founder, the option to pay taxes on the total fair market value of restricted stock at the time of granting. May 3, 2018 <https://www.investopedia.com/terms/1/83b-election.asp>

(2) J.T. Forbus, Accountant. Bodgan & Frasco, LLP

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### About Sheila Schroeder

Sheila Schroeder believes that financial empowerment equals freedom. She brings together the needs of clients with the resources and expertise of the Private Ocean team. Sheila joined the firm in 2015 with over 25 years of financial services experience, and believes that engaged relationships are forged through working together to create strategies and options so that clients can meet their personal and financial goals.

During her time as a senior institutional equity sales executive and team leader, Sheila's primary focus was on the Asian and Japanese markets, in sectors including real estate, commodities, infrastructure, consumer and financials. She served as lead salesperson on countless IPOs and secondary offerings, including multiple in excess of \$1B. This experience gives Sheila perspective on global markets and public equities and a deep understanding of how market trends and cycles impact investor portfolios.

In her personal time, Sheila is involved with several non-profits, in fundraising and organizational roles. She enjoys running, trying out the weekend recipes in the WSJ, reading with her amazing book club, and travel. Most of the time she also likes to hang out with her 17-year-old twins.

### About Private Ocean Wealth Management

Founded by Richard Stone and Greg Friedman in 2009, Private Ocean combined two of the oldest privately-held wealth management firms in the San Francisco Bay Area – Saliient Wealth Management and Friedman & Associates. In 2018, we continued our growth when the firm acquired Lakeview Financial in Seattle and Mosaic Financial Partners in San Francisco and Walnut Creek. Throughout our continued evolution, our culture, shared values and philosophy on client service has kept us true to our commitment to deliver personal and powerful wealth management to our clients.

