

Case Study

Planning Makes Perfect

If you have a mix of non-qualified stock options (NQOs) and incentive stock options (ISOs), and you're looking for guidance on when and how much to exercise, as well as the best tax strategies for doing so, we can help.

Creating Comprehensive Strategies for Privately Selling Your Stock

Xavier is an executive at an AI company, which closed its Series D round. He's accumulated grant awards over the past five years and is looking at his position more strategically now that the company is set for an exit in the next two years.

Xavier's Needs:

- Navigating a Private Sale
- Exercising Options
- Best Practices in Tax Strategies



Private Sales
Liquidity Strategy



Trusts + Estates
Planning + Spending



Tax Strategy
Avoiding unnecessary costs

Cash Flow Analysis

We ran a series of cash flow analyses to determine the amount Xavier and his family would need to comfortably sustain their lifestyles if nothing more came from the company. Together, we identified the minimum amount of liquidity he should take off the table.

Private Sale

We were able to serve as the escrow agent, which gave Xavier greater confidence and peace of mind in pursuing a private transaction at a higher asking price.

Benefits

- Xavier gained reassurance that he sold the right amount with a partner that has extensive experience in executing transactions. Most importantly, he achieved an adequate amount of liquidity to comfortably provide for his family.

ISOs + Alternative Minimum Tax

We partnered with Xavier's new CPA to identify the amount of ISOs he could exercise and hold for long-term capital gains treatment without hitting alternative minimum tax (AMT) because he engaged in a private sale.

83(b) Election

When Xavier received a new grant of restricted stock, BNY Mellon advised him to make an 83(b) election within 30 days.

Benefits

- Xavier was able to exercise even more ISOs in the year of the sale without hitting AMT.
- The 83(b) election allowed Xavier to pay taxes on the total fair market value at the time of grant, rather than at the time of stock vesting, for better tax treatment.

Tax Planning

We introduced Xavier to a CPA with extensive experience exercising private stock, who worked with the team to pinpoint the appropriate grants and coordinate his ongoing investment updates.

Tax Timing + Payments

We mapped out the timing of estimated tax payments and designed a strategy for payment. Rather than pay the taxes outright, Xavier utilized an investment credit line that was secured against his liquid portfolio at historically low interest rates.

Benefits

- Xavier continued to invest his money in public and private markets, potentially benefiting from an arbitrage opportunity until his next liquidity event.
- We saved Xavier time by providing the coordination of documents and information with the accountant.

Conclusion:

BNY Mellon Wealth Management helped Xavier smoothly navigate a private sale and exercise options for preferential tax treatment while creating an overarching strategy around his upcoming tax liability.

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