

Case Study

# Forecasting the Future

*As an early-stage founder, success does not necessarily ensure security. We provide the information you need to help make smart decisions at every stage of your company's growth.*

## Helping You Make Smarter Decisions in the Early Stages of Your Company

Andrew is CEO and cofounder of a cloud-based data lake platform company that recently closed its Series B round. Given the recent success, he feels more confident in the company's growth trajectory and would like to strategically plan around his 24.3% equity stake.

### Andrew's Goals:

- Buy a new house
- Obtain top education for his two daughters
- Leave a legacy



**Purchase the Right Home**  
Managing Liquidity + Debt

#### Cash Flow Analysis

We provided a series of cash flow analyses to determine the amount of capital he would need to sustain his lifestyle comfortably through different outcome scenarios. We accounted for varying home purchase prices, including property taxes, insurance, and monthly mortgage payments, to show the potential impact of the purchase.

#### Investment Credit Line

To assist in making a more competitive all-cash offer, we set up an investment credit line secured against his liquid portfolio. Within 90 days of closing on his house, BNY Mellon Wealth Management replaced the debt with a traditional mortgage.

#### Benefits

- Andrew bought the right home with proceeds using only a small portion of his shares while achieving the safety net he was looking for.
- He maintained positive optics for investors and employees by leaving 22.1% of his equity in the company.



**Protect your Family**  
Trust, Estate, and Tax Planning

#### Income + Tax Planning

Using his founder's stock, which was Qualified Small Business Stock (QSBS) eligible (Section 1202), we created and funded a series of irrevocable non-grantor Delaware trusts for the benefit of his two children and one for each of his parents. Once the stock goes public, each Delaware trust will have its own \$10 million QSBS exemption.

#### Trust Structuring

We partnered with Andrew's attorney to create flow charts and cash flow analyses to assess the appropriate structures and amounts for each trust. We then detailed how these structures work in tandem for Andrew's benefit.

#### Benefits

- Andrew was able to leverage his lifetime gift tax exemption of \$11.7 million using a lower valuation with a discount to the 409A price.
- We worked with him to customize the terms of the trust to ensure his children and grandchildren would use the money for education, as he intended.



**Plan Your Legacy**  
Define Your Impact

#### Create Donor Advised Fund

Andrew met his founding team during his university years and feels loyal to his alma mater. He would like to set up a scholarship fund for incoming freshmen. We helped establish a Donor Advised Fund (DAF) for Andrew, a tax efficient vehicle for annual gifting, and also determined the annual charitable budget to use towards grants.

#### Charitable Trust

In preparing Andrew for a liquidity event, we created a Charitable Remainder Trust (CRT), which provides tax advantages.

#### Benefits

- Andrew obtained an upfront tax deduction.
- He saw tax-deferred growth of his charitable principal.
- We helped facilitate an annual cash flow stream to Andrew and his family.
- He created a legacy gift for his alma mater at the end of his life.

## Conclusion:

Drawing on decades of experience and expertise in working with founders, executives, and early employees, BNY Mellon Wealth Management was able to help Andrew strike the right balance between his liquidity needs and belief in the company, as well as support his family and alma mater tax efficiently.

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