

Personal Pre-IPO Planning Checklist

Initial Public Offering (IPO) and Special Purpose Acquisition Company (SPAC) activity has slowed since the spike in 2021. As we move from the frenzied frequency of the last few years, back to the more historically steady pace of liquidity events, individuals still need to be mindful of the careful planning that an IPO or SPAC requires. Check out our checklist to get started.

✓ 1. Find an Advisor Who Understands Your Unique Needs

Not all advisors are equipped to work with individuals who are preparing for an event like Pre-IPO planning. This professional also needs to coordinate (and sometimes identify) a team of professionals like a tax advisor or estate planning attorney. They need to understand how to navigate the lumpy income, big swings, and the distinctive planning that comes with this type of situation. It's key to work with an advisor who can help guide individuals through Pre-IPO planning.

✓ 2. Solidify Your Estate Plan

Before a liquidity event, the first step to personal financial health is to complete the foundations of your estate plan. This includes establishing the following:

- Will
- Medical directive
- Power of attorney
- Living will
- Beneficiary designation

Finalizing these documents is critical to your successful transition from a concentrated, private holding to a public holding.

As you move closer to an IPO, there are additional equity-specific estate planning steps you can implement to ensure the best outcome for yourself. These additional steps will provide extra protection, ensure that your assets flow as you intend, and multiply or stack tax savings for Qualified Small Business Stock Gain Exclusion, also known as Section 1202 or Section 1045 or rollover. Please see the article on QSBS Gain Exclusion for more details about this tax and estate planning strategy.

✓ 3. Establish a Relationship with an Innovation-Focused Bank with the Help of Your Advisor

Access to liquidity before an IPO event can be extremely challenging, but partnering with the right bank can make all the difference. Companies typically have a tender offer ahead of an event to free up some liquidity for their employees and help with exercise options, but it's rarely enough.

Tech banks offer restricted stock or private stock loans, but they're usually unwilling to take a risk on an individual they barely know. Leverage on a large private holding also tends to involve restrictive covenants, higher costs, and more significant liquidity ratios—so be prepared for the terms to differ significantly from a more conventional loan.

Your advisor can also help you identify more simple solutions for what seems like complex needs. There is no need to look for a complex solution when something as easy as a security-backed line, home equity, or home refinance can help fund an exercise of options. Easing the tax burden can be less complicated than you may think, and your advisor can help you work with a traditional bank to solve pre-liquidity needs.

✓ 4. Prepare for a 10b51 Plan

If you hold a leadership position at a company that's on the path to IPO, you'll need to create a pre-declared 10b51 plan to relinquish direct control over transactions to help avoid any appearances of access to material nonpublic information and insider trading.

Once Your Company Goes Public

After your company completes its IPO, you must navigate the post-IPO landscape. Based on share value, your preferences, risk tolerance, liquidity needs, possible hedging/collar strategy, and 10b51 plan structure, many of your decisions in this next season can be as daunting as the Pre-IPO phase. There are lots of considerations from the pre-IPO to the post-IPO plan of action, and it is imperative that you work with the right advisor who can educate, guide, and advocate for you in this process known as Section 1202 or Section 1045 or rollover. Please see the article on QSBS Gain Exclusion for more details about this tax and estate planning strategy.

www.fiduciaryadvisors.biz | (949) 851-6498
895 Dove Street, Suite 300, Newport Beach, CA 92660

This material is intended for informational purposes only and should not be construed as legal advice and is not intended to replace the advice of a qualified attorney, tax adviser, investment professional, or insurance agent. Neither Fiduciary Advisors, LLC, Kestra IS, Kestra AS, or any affiliated companies or employees offer legal or tax advice. Distributions may be subject to taxes if certain requirements or exceptions are not met. The services of an appropriate professional should be sought regarding your individual situation.

Securities offered through Kestra Investment Services, LLC (Kestra IS), member FINRA/SIPC. Investment advisory services offered through Kestra Advisory Services, LLC (Kestra AS), an affiliate of Kestra IS. Fiduciary Advisors, LLC is not affiliated with Kestra IS or Kestra AS.

CA Insurance License: 0E92296. Finra's Broker Check: <https://brokercheck.finra.org>. Form CRS and Reg BI Disclosures: <https://www.kestrafinancial.com/disclosures>.