

# Planning for an IPO

with Evolution Wealth Partners

How we used prudent planning to guide a forward-thinking founder through his IPO and beyond

## The challenge

As his private company rapidly grew, a founder wanted to know how he could prepare ahead of time for an eventual liquidity event. Most of his net worth was tied up in his illiquid founder shares while his modest liquid assets were held with a robo-advisor. The founder was contemplating selling a small portion of his founder shares into an upcoming Series B round of financing for his company. He needed assistance with tax planning, managing the resulting proceeds and identifying planning options while he focused on the next phase of his business's growth.

## The strategy

At Evolution Wealth Partners, we have deep experience working with entrepreneurs to help solve the complex and unique wealth challenges they face throughout the full lifecycle of their business. We leverage experts across UBS and connect our clients with external accountants and estate planning attorneys to help prepare them for an eventual liquidity event.

Like many founders in his position, the client was dedicating most of his time and energy to building his rapidly growing business, largely ignoring his personal finances. He wanted a collaborator who would identify planning opportunities, simplify the decision-making process and execute agreed-upon strategies. Our first project was to address the potential secondary sale which included introducing an accountant. Working alongside the accountant, we identified that the shares were qualified small business stock (QSBS), which lowered the taxes owed by more than \$2 million.

With his increased liquidity, the client wanted to use a portion of the funds to purchase a home. We educated him on his mortgage options and ultimately locked in a competitive rate at our affiliated company UBS Bank USA. As part of this exercise, we underwent a rigorous cash flow planning exercise to understand his monthly and annual expenses. Using this information, we constructed a tax-efficient portfolio that generated enough income, when combined with after-tax salary, to meet his spending needs (including his new mortgage payments).

Following the Series B round partial stock sale, the client continued to hold the majority of his wealth in his private founder shares. With his ultimate liquidity event still several years away, we had plenty of time to do in-depth financial planning. We introduced an estate planning attorney and worked closely with the client to establish a grantor annuity trust (GRAT) to benefit his children. By planning ahead and taking advantage of discounted private stock valuations and the company's rapid growth, the client was able to pass more than \$10 million to his children free of estate tax, preserving his lifetime exemption. Four years after we began working together, his company went public at a \$3 billion valuation.



## Evolution Wealth Partners

### UBS Financial Services Inc.

555 California Street  
Suite 3200  
San Francisco, CA 94104  
415-963-5288

[advisors.ubs.com/evolution](https://advisors.ubs.com/evolution)

The founder retained more than 10% equity ownership following the IPO. After the lock-up, we established a trading plan to strategically sell specified shares and amounts over defined time frames, with the goal of maximizing tax efficiency and value. We reinvested the proceeds into his diversified portfolio, which is designed to generate enough income to cover his living expenses.

By planning ahead of time for his liquidity event, we were able to help our client mitigate risks associated with founder's equity (income tax, estate tax, gift tax and concentrated equity risk) and set the stage for his personal financial success.

---

The case study presented, based on actual client experiences as told by our Financial Advisors, is provided as an illustration and may not be representative of the experience of other clients. There is no guarantee of the future success of any of the strategies discussed.

Neither UBS Financial Services Inc. nor its employees (including its Financial Advisors) provide tax or legal advice. You should consult with your legal counsel and/or your accountant or tax professional regarding the legal or tax implications of a particular suggestion, strategy or investment, including any estate planning strategies, before you invest or implement.

Trust services are provided by UBS Trust Company, N.A. or another licensed trust company. UBS Trust Company, N.A. is an affiliate of UBS Financial Services Inc. and a subsidiary of UBS AG. Trust investments are not deposits or other obligations of, or guaranteed by, UBS Trust Company, N.A. or UBS AG or any of their affiliates. Trust investments involve investment risks, including possible loss of the principal.

#### **Borrowing using securities as collateral involves special risks, is not suitable for everyone and may not be appropriate for client needs.**

All loans are subject to credit approval, margin requirements, and margin call and other risks; credit lines may be subject to breakage fees. For a full discussion of the risks associated with borrowing using securities as collateral, clients should review the Loan Disclosure Statement included in their application package/account opening package. **UBS Financial Services Inc. (UBS-FS) and its Financial Advisors have a financial incentive to recommend the use of securities backed loans, rather than the sale of securities to meet cash needs because we receive compensation related to the loan as well as the investments used to secure the loan.** We benefit if your client draw down on their loan to meet liquidity needs rather than sell securities or other investments, and have a financial incentive to recommend products or manage an account in order to maximize the amount of the loan. UBS-FS and its Financial Advisors and employees offer banking and lending products to clients through our affiliates and third-party banks in our capacity as a broker-dealer and not as an investment adviser.

UBS Bank USA, UBS-FS, their employees and affiliates do not provide legal or tax advice. Clients should contact their personal tax and/or legal advisors regarding their particular situations, including the legal and tax implications of borrowing using securities as collateral for a loan.

**UBS Bank US—Equal Opportunity Lender. Equal Housing Lender.**



©UBS 2023. UBS Financial Services Inc. and UBS Bank USA are subsidiaries of UBS AG. UBS Financial Services Inc. is a member of SIPC. Member FINRA. UBS Bank USA, Member FDIC, NMLS no. 947868.

#### **Important information about brokerage and advisory services.**

As a firm providing wealth management services to clients, UBS Financial Services Inc. offers investment advisory services in its capacity as an SEC-registered investment adviser and brokerage services in its capacity as an SEC-registered broker-dealer. Investment advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate arrangements. It is important that you understand the ways in which we conduct business, and that you carefully read the agreements and disclosures that we provide to you about the products or services we offer. For more information, please review the client relationship summary provided at [ubs.com/relationshipsummary](https://ubs.com/relationshipsummary), or ask your UBS Financial Advisor for a copy.

© UBS 2023. All rights reserved. The key symbol and UBS are among the registered and unregistered trademarks of UBS. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC. CS\_EvolutionWealthPartners-1\_IPO\_v3 Exp.: 1/31/2024, IS2300126.