

# Managing Concentrated Risk

How we helped an entrepreneur manage the sale of his private business to achieve his dream of retiring early, traveling, and pursuing his passion for helping at-risk teenagers in his community.

## Private Wealth Management



### A comprehensive approach

- Our client was selling his company and wanted to manage the stock proceeds in the most tax efficient way possible. He hoped to maintain some market exposure but limit downside risk and effectively provide for his family's future.
- We assembled a team of UBS experts from across the firm: our Equity Derivatives Desk, Advanced Planning and Family Office Solutions.
- Collaborating with his estate attorneys, tax advisors and various charities, we developed a comprehensive plan for the client to protect his wealth, engage in his philanthropic interests and determine his legacy.

### Challenge

- Our entrepreneur client sold his private business for approximately \$400 million in stock of a publicly traded company. Though he believed in the potential future upside of the stock, he was also concerned with the risk of having so much of his net worth concentrated in a single equity position.
- He intended to retire after a 40-year career and wanted to maintain his family's lifestyle through steady income while continuing to grow his investment portfolio.
- The potential tax consequences and capital gains of a large stock sale weighed heavily on his mind.
- He had no plan in place to facilitate an inter-generational wealth transfer to his children and grandchildren or to adequately fund his charitable interests on an ongoing basis.

### Strategy

- Working with our derivatives desk, we designed a customized hedge to protect our client from a significant pullback in his concentrated stock position while still allowing him to participate in its upside.
- Our team conducted a comprehensive analysis of all the client's assets, cash flows and income needs. We then developed an optimal portfolio by running multiple allocation simulations, effectively demonstrating how performances might vary throughout historical market conditions.
- We modeled each stage of the selected plan's implementation to ensure sufficient income for the client to fund his family's lifestyle.
- Our client had a passion for working with at-risk teenagers. We assisted him to set up a charitable foundation to make annual, impactful gifts to the local community.

### Outcome

- By selling the concentrated position over time, we minimized taxes and used the proceeds to fund a global, diversified portfolio with fixed income, equities, and alternative assets. This met all the family's income needs while positioning them for long-term growth.
- We arranged wealth management and philanthropy seminars which his children all attended.
- Working closely with estate attorneys, we established trusts for the client's children, grandchildren, and a charitable foundation, each with a tailored investment plan that best fit their individual financial goals.
- With a detailed estate plan in place, the client can travel and enjoy retirement knowing his legacy is secure. He is also making a significant impact in his local community, funding causes near and dear to his heart.

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