

Planning beyond the floating rate note

A strategic growth approach for selling shareholders with deferred gains



UBS

You took the first step to keeping more of what you built. But what comes next?

Many business owners who sell to an ESOP elect Section 1042 and end up holding Floating Rate Notes (FRNs) to meet Qualified Replacement Property (QRP) requirements and defer capital gains. It's a smart first move—preserve value, defer tax, stay compliant.

But here's the problem:

Without a strategy beyond the FRN, you may face:

- Limited Growth Potential
- Narrow Diversification
- Unrealized Legacy Goals

If your goals include growing your assets, expanding your financial strategy, or ensuring your wealth supports what matters most—your family, your legacy, causes you care about—it may be time to take the next step.

Deferred isn't done. It's time to activate.

Why most selling shareholders get stuck here

The gap between deferral and direction is wider than it seems.

Even the savviest business owners can find themselves unsure what to do with the FRNs in their portfolio. And it isn't because they lack resources—it's because this part of the journey is often overlooked.



There is no clear roadmap beyond the deferral.



Traditional advisors don't specialize in post-Section 1042 planning.



Many strategies stop at preservation—not activation.

You're not alone—and you're not behind.

But now is the time to think differently about what's possible.

A strategy built for this moment—and what comes next.



Introducing the Wealth Activation Strategy

Unlock liquidity. Reclaim growth. Create impact.

Our strategy utilizes a Charitable Remainder Trust (CRT) to unlock the full potential of your Qualified Replacement Property. It allows you to sell your FRNs inside of the CRT *without triggering immediate capital gains tax*, then reinvest those proceeds into a diversified, growth-oriented portfolio—one that supports both your legacy and the causes that you care about.

How it works

1. Make a charitable gift of FRNs to a CRT

A Charitable Remainder Trust is established, any margin loan you have is reassigned to other assets that you own and your FRNs are transferred into the Trust.

3. Receive flexible distributions from the CRT

Structured, tax-efficient distributions are received and are then reinvested to align with the remainder of your portfolio.

2. Sell and reinvest inside of the CRT

FRNs are sold tax-deferred due to the charitable nature of the CRT, and proceeds are reinvested into assets aligned with your long-term goals.

4. Leave a legacy

At the end of the CRT's term, remaining assets in the Trust support the cause that you've chosen...while the distributions you received can grow to provide for your family and future generations.

This is about more than preserving wealth.
It is about putting it back to work—with **purpose** and **potential**.



From deferred to designed

Six ways the strategy helps your capital evolve.

Once your FRNs have been moved into the Charitable Remainder Trust, the opportunity shifts: from deferral to design. You gain access to a more expansive, more intentional financial structure—one that unlocks growth potential, delivers tax-advantaged distributions and allows you to define what happens next.

Here's what this strategy makes possible



Reposition for growth: Move beyond the flat returns of FRNs by reallocating into a diversified, long-term growth-oriented portfolio.



Defer taxes while unlocking opportunity: Sell FRNs inside of the CRT without immediate capital gains tax, preserving deferral benefits.



Generate structured distributions: Receive annual payments from the CRT designed for consistency and control.



Enhance control and flexibility: Gain more input and control over how proceeds are invested and how the remainder is distributed.



Consolidate and streamline your strategy: Integrate tax strategies, income planning and legacy goals into a single structure.



Shape a lasting legacy: Provide for your family and future generations while also supporting causes that you care deeply about.

It's not just about reinvestment.
It's about **activating** your wealth with **intention**.

From frustration to forward momentum

Real strategy. Real outcomes.

When a business owner sold his company to an ESOP for \$14MM, he reinvested \$7.2MM into FRNs to satisfy the QRP of Section 1042. The tax deferral worked...but everything else stalled.

Returns were modest. Taxable income was high. And he believed his capital could do more.

That's when he worked with our team to implement the Wealth Activation Strategy. Here's what we did:

- Reassign margin loan to other assets
- Make a charitable gift of FRNs to a CRT without triggering capital gains
- Reinvest proceeds into equities and private investments
- Structure 10% annual distributions from the trust
- Build a long-term legacy aligned with his personal values

Before

- \$325k annual income from FRNs (taxed at ordinary income rates)
- No growth on the FRNs (just income)
- No defined long-term legacy strategy

After

- \$1,439,819 distribution in first year (taxed primarily at capital gains tax rates)
- \$839,774 immediate charitable deduction
- \$3.9MM planned to causes that he cares about

It started with tax deferral. It ended with a **strategy**.

Ready to unlock what's next?

If you are holding Floating Rate Notes, you're not stuck – you're just a strategy away from expanding your wealth and your legacy.

Let's talk about how we can help you:

- Regain control of your assets
- Maintain tax efficiency and control
- Create something lasting—for your family and for causes that you care about

Ready to activate your next chapter? Let's start the conversation.

* 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.



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Laws governing ESOP transactions and the rules under Section 1042 of the Internal Revenue Code of 1986, as amended ("Code"), are complex and persons considering an ESOP or Section 1042 transaction should seek professional guidance from their tax and legal advisors.

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