

# Co-founder QSBS planning

How we helped two early stage co-founders manage their founder shares by putting a plan in place which supported their family's goals and values.



## Brant Point Group

### A proactive approach

- Like many venture backed founders, our clients were very focused on their company and family with little time to devote to their personal finances
- Working closely with other professional tax and estate advisors, we were able to proactively identify an opportunity for significant tax savings upon sale of their founders shares and put a plan in place which supported their children and personal post-liquidity needs

### Challenge

- Two co-founders at a Series A company sought planning advice for managing their company equity. In addition to their founder shares they had accumulated additional shares via compensation packages which included restricted stock and exercisable nonqualified stock options
- In addition, they were contemplating a Series B raise within six-months and were eager for advice on planning considerations
- Our analysis of their equity package revealed an opportunity for planning using advanced trust structures to multiply their Section 1202 Qualified Small Business Stock Exemption

### Strategy

- We first tackled the client's company stock position. Working with a tax attorney we helped navigate federal and state tax guidance and corporate policies to ensure their 1202 attestation was in order

- After reviewing various strategies and financial planning projections, we decided on two trusts; one to transfer wealth to their children in a tax-efficient manner, another to support a charity both families were close to while providing each cofounder with access to a tax-efficient income
- For each trust we identified which shares should be gifted, taking into account the Section 1202 requirements, as well as the families goals and values surrounding inherited wealth and personal cashflow needs
- Our plan allows them to maximize their 1202 QSBS exemption while achieving their wealth transfer goals and solving for additional post-sale income and estate tax

### Outcome

- Both co-founders can now feel more confident about their overall wealth picture, knowing they have properly planned for maximizing their QSBS exemption
- By setting up various trust structures both co-founders were able to put a plan in place which would allow them to each receive \$30M in 1202 exempt proceeds

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