FOUR COMMONLY MISSED FINANCIAL OPPORTUNITIES FOR CORPORATE EXECUTIVES

PARAMOUNT
WEALTH MANAGEMENT

INTRODUCTION

As a corporate executive, you are an integral part of the business, assisting with its growth. You have a lot on your plate. Luckily, this responsibility comes with plenty of opportunities to maximize and leverage the wealth you've earned through your company.

Unfortunately, it's all too common for corporate executives to miss out on well-deserved opportunities. This may be due to not being informed of all the available possibilities or a lack of time to delve into understanding the offered benefits, thus not participating.

Read on to learn the 4 most common financial opportunities corporate executives miss to ensure you are maximizing your earning's potential and building your wealth wisely.

1.) UNDERSTANDING TAXATION AND REDUCTION OPPORTUNITIES

Are you **maximizing your employee benefits**? Most corporate executives are not aware of the generous benefit plans available to them. Review your benefits and take advantage of them. After all, they're part of your compensation and there to be used! Be sure to look into your insurance plans and their offerings, paid time off (take it!), retirement benefits, and reimbursement accounts.

Most people are aware of the benefit of maximizing their **401k contributions** but retirement plans often have options uniquely designed to benefit the high earning executive. Being able to sort through the legal jargon in your plan description to truly understand these lesser known benefits can really enhance savings and tax opportunities.

Some companies offer **deferred compensation plans** which allow an executive to forego current year income in exchange for a promise to be paid at a later date. The distribution structure varies plan to plan and needs to be coordinated individually with your specific situation. It should be noted that these deferred funds are available to creditors of the company in the event of a bankruptcy.

A **Health Savings Account** (HSA) is a type of savings account that allows you to set aside funds on a pre-tax basis, thereby reducing your taxable income, to pay for qualified medical expenses. HSAs can be invested in mutual funds, stocks and other investment tools.

Another way to maximize your income is with a **Flex Spending Account** (FSA). This type of account is a tax-free way to pay for eligible health care expenses such as medical, dental, prescription, hearing and vision expenses. It can also be used to pay for deductibles, copays, and co-insurance. Be careful with FSAs as they are a "use it or lose it" type of plan and cannot be carried over year to year.

2.) MAXIMIZING YOUR STOCK & INVESTMENTS

Are you taking advantage of your company's stock option plans? These plans are designed to attract, compensate, and retain you - so use them! These contracts between you and your company typically give you the right to buy a specific number of the company's shares at a fixed price within a certain period of time.

Learn about your stock option choices to properly plan around them to leverage opportunities and help reduce associated tax consequences.

A. **Non-Qualified Stock Options** are taxed based on a variety of values: grant price, exercise price, and sale price. The difference between the grant and exercise price is taxed at ordinary income rates while the difference between exercise and sale price is taxed at favorable capital gains rates provided one year holding requirements are met.

B. **Incentive stock option**s are less common but sometimes offered for executive retention. They have the advantage that no income is reported when the option is exercised and, if certain requirements are met, the entire gain when the stock is sold is taxed as long-term capital gains.

Does your company contribute to your investments? At what level? Do they match what you put in? You should be able to answer these questions and know exactly how to make the most of their contribution. Oftentimes the company's contribution can be a significant portion of your accumulation plan. It may be beneficial to assess the impact your personal plan would have if the company changed these benefits or you left for a different opportunity.

3.) CONCENTRATED STOCK POSITIONS

Executives may have the opportunity to acquire company stock through restricted stock plans, Incentive Stock Options (ISO), Non-Qualified Stock Options (NSO), and discounted stock purchase plans. These plans can be great for accumulating wealth but often leave the executive with taxation and risk concerns later in their career and into retirement.

There are various ways to mitigate exposure to risk and taxation using concentrated positions:

Risk to an executive includes having their income, pension and/or deferred compensation, and major investment holding all tied to one company.

A. **Hedging strategies** allow executives to retain the concentrated stock position and any ownership rights through options and other types of derivative securities. Hedging strategies can help protect against downside risk by allowing executives to specify the amount of risk they are willing to accept.

B. **Equity Exchange Funds –** With an exchange fund, investors contribute shares of their concentrated stock in "exchange" for shares of a broadly-diversified fund. In addition to the benefit of increased diversification, contributions are not treated as a sale therefore capital...

gains taxes are not incurred upon contribution into the fund. Exchange funds are offered as private placements and therefore have strict net-worth requirements.

C. **Stop loss and limit orders** – provided that blackout periods and minimum holding requirements are met; stop loss and limit orders can reduce the downside risk of overexposure to one company's stock

Taxation can be a major expense. Shifting taxation from an income tax to a capital gains tax may greatly reduce the tax liability for the executive who receives a large bonus and/or has stock options vesting.

A. **Net Unrealized Appreciation** – With an NUA strategy, company stock that was purchased in an employer sponsored retirement account is deposited into a taxable account. At this time, the investor reports the cost basis of the stock as income and pays income tax at ordinary income rates.
When the stock is eventually sold, the investor will be taxed at the long-term capital gains rate, rather than an income tax rate, which is typically favorable to the investor.

B. **Tax-efficient gifting strategies** may reduce concentrated equity risk while helping investors leave a long-standing legacy. These strategies may also allow investors to achieve their generational transfer and philanthropic goals in a tax-efficient manner.

1. Donor Advised Fund - allows the donor the ability to time deductions and take advantage of significant tax advantages while establishing a funding source for future charitable contributions.

2. Charitable Remainder Trust - allows donors to give money to charity while providing a continuation of income to the family for a set number of years. After the specified period of time, the remainder of the trust is donated to the designated charity

C. Gifting to Family Members – The annual gift exclusion rule allows investors to gift up to a predefined maximum value per beneficiary, free of any gift or generation-skipping transfer taxes. The cost basis carries over to the beneficiary. The beneficiary benefits by receiving income produced from the holding as well as any stock appreciation. The person gifting the stock reduces their future income along with the size of their estate.

If you are a corporate executive who has concentrated stock positions, we encourage you to set up a complimentary appointment to discuss the potential diversification of your portfolio.

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4.) SELLING YOUR COMPANY STOCK

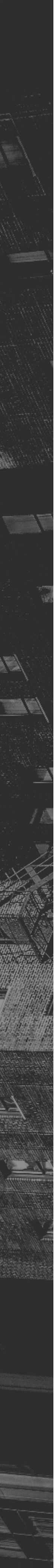
Ready to liquidate your company stock? A **liquidity event** is the merger, purchase or sale of a corporation or initial public offering. It's a common exit strategy since it converts the equity held by a company's founders and investors into cash. It is possible, of course, to liquidate part or all of your company stock in the absence of an exit.

When you're ready to sell your company's stock, it's important to understand if your stock is "**restricted**" or "**performance-based**". Restricted stock is not fully transferable until certain conditions have been met. Performance-based stock is allocated to managers and executives only if certain company-wide performance criteria are met.

One problem with restricted or performance-based shares is the monetization of those shares while complying with allocated trading windows - the period in which executives and key employees can trade stock - and blackout periods, which forbid stock transactions. A potential solution for this is called a Security Based Line of Credit which provides you with the opportunity to borrow against your investments with a flexible line of credit collateralized by the underlying stock. There is no sale or taxation of the stock to access this credit line.

If your company's stock has appreciated in value, the timing of when to sell the shares and knowing which tax lots to use for the cost basis could drastically reduce tax implications. Donating your shares to charity or using them for gifting purposes could replace and/or reduce the outlay from current cash flow.

As a corporate executive, you have plenty of opportunities to help maximize your hard-earned, well-deserved wealth. The key is to be knowledgeable and educated in all the ways you can strategically manage your wealth to your benefit.



At Paramount Wealth Management, we are committed to helping you live your best life, reach your goals, and leave your legacy.

We understand that wealth management isn't just about money or the investments you make.

It is so much more.

It's about planning for what really matters while navigating the transitions of life with fluidity and grace. It is aligning with a strategy to accumulate, distribute, and transfer wealth in a way that puts you, your family, and what you care about at the core.

Paramount Wealth Management acts as your personal CFO to expertly structure and manage the three core areas of wealth management:

1.) **Enhance**: We enhance your plan with the finest accumulation, distribution, and transfer strategies in the industry.

2.) **Simplify**: We consolidate and organize your finances in a way that makes sense, is easy to track, and leverages the best tools available.

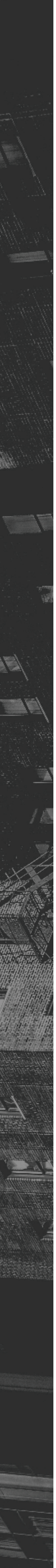
3.) **Preserve:** We are skilled at risk management, diversification, and succession so you can be confident in your plan designed for wealth preservation and growth

We specialize in the personalization of portfolios for:

Business owners needing support in asset protection, cash management, insurance, financing, and succession planning,

Executives needing corporate solutions such as share repurchase programs, corporate cash management, executive benefit platforms, and retirement programs, and

Legacy-focused families looking to manage and preserve accumulated wealth.



If you're interested in getting the most out of your wealth, we are here for you.

Contact us today for a consultation.

www.paramountwealth.com

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