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# Pre-IPO Wealth Planning Checklist

This checklist reflects the type of process we go through with our clients to help them think through the impact of a major IPO liquidity event and the changes in their short, medium and long-term goals.

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# PRE-IPO WEALTH PLANNING CHECKLIST

*Comprehensive action plan for trust structures, QSBS eligibility, option exercise strategy, and estate titling*

## KEY PLANNING ASSUMPTIONS (Update These Inputs)

| Parameter | Value | Notes |
|---|---|---|
| 409A FMV per Share (Current) | $12.50 | Update with latest 409A report |
| Anticipated IPO Price per Share | $35.00 | Estimated; use range in sensitivity |
| Number of Shares / Options Held | 500,000 | Total across all grants |
| Annual Gift Tax Exclusion (2026) | $19,000 | Per donee; $38,000 if gift-splitting |
| Lifetime Exemption Used to Date ($) | $0 | Amount of BEA already consumed |
| Remaining BEA Available ($) | $13,990,000 | Auto-calc; verify against Form 709 |
| Current Year Federal BEA ($M) | $13,990,000 | 2026 indexed amount (estimated) |
| ISO Grant Date | Enter Date | Critical for qualifying disposition clock |
| NSO Strike Price | $5.00 | Per option agreement |
| ISO Strike Price | $4.00 | Per option agreement |
| AMT Exemption (MFJ, 2026 est.) | $137,000 | Subject to phaseout above $1.24M AMTI |
| State of Residency | Virginia | Affects state income tax on exercise |
| Lockup Period (Months Post-IPO) | 180 | Standard 6-month; verify underwriter terms |
| Estimated Tax Rate on NSO Exercise | 40.8% | 37% federal + 3.8% NIIT |

# PRE-IPO WEALTH PLANNING CHECKLIST

## MASTER PRE-IPO ACTION TIMELINE

| Planning Area | Action Item | Timing (Pre-IPO) | Responsible Party | Status | Notes / Dependencies |
|---|---|---|---|---|---|
| Trust & Gifting | Obtain current 409A valuation report | 18–24 months out | Company / 409A Firm | ☐ Pending | Must be <12 months old for IRS safe harbor |
| Trust & Gifting | Engage trust & estates attorney to draft irrevocable trust | 18 months out | T&E Attorney | ☐ Pending | Identify trustee; confirm state situs |
| Trust & Gifting | Execute irrevocable trust document and fund initial corpus | 15–18 months out | Attorney + Client | ☐ Pending | Annual exclusion gifts or BEA allocation |
| Trust & Gifting | Transfer shares/options to trust using 409A FMV | 15 months out | Attorney + Company | ☐ Pending | File gift tax return if BEA used |
| Trust & Gifting | Annual gifting schedule — front-load before S-1 filing | 12 months out | Advisor + Attorney | ☐ Pending | Document Crummey notices if applicable |
| QSBS | Confirm original issuance directly from company (no secondary) | Now / Immediately | Attorney | ☐ Pending | Sec. 1202 requires original issuance |
| QSBS | Verify $50M aggregate gross assets test at time of issuance | Now | CPA / CFO | ☐ Pending | Obtain certified balance sheet at issuance |

# PRE-IPO WEALTH PLANNING CHECKLIST

| | | | | | | |
|---|---|---|---|---|---|---|
| QSBS | Document active business / qualified trade test | Now | CPA / Attorney | □ Pending | Must be C-corp; confirm SIC code eligibility | |
| QSBS | Confirm 5-year holding period for each lot | Rolling | CPA | □ Pending | Partial exclusions may apply at 3–5 years | |
| QSBS | Evaluate stacking strategy across family members / trusts | 12 months out | Tax Advisor | □ Pending | $10M per taxpayer; trusts may stack | |
| ISO/NSO Exercise | Model AMT impact of ISO exercise at current 409A FMV | 12 months out | CPA | □ Pending | Spread = preference item for AMT | |
| ISO/NSO Exercise | Assess NSO exercise timing — ordinary income in exercise year | 12 months out | CPA | □ Pending | Withholding required; company reports on W-2 | |
| ISO/NSO Exercise | Consider early exercise of ISOs while FMV ≈ strike (83(b)) | ASAP if applicable | Attorney + CPA | □ Pending | 83(b) election within 30 days of exercise | |
| ISO/NSO Exercise | Run ISO vs. NSO sensitivity at multiple IPO price scenarios | 9–12 months out | CPA / Advisor | □ Pending | See Sheet 4 for matrix | |
| Estate Titling | Update beneficiary designations on all retirement accounts | Immediately | Client + Custodian | □ Pending | Do NOT title IRAs to trust in most cases | |
| Estate Titling | Title brokerage accounts into revocable trust (TOD alternatives) | Immediately | Client + Custodian | □ Pending | Avoids probate; maintains step-up | |

# PRE-IPO WEALTH PLANNING CHECKLIST

| | | | | | | |
|---|---|---|---|---|---|---|
| Estate Titling | Coordinate life insurance beneficiary designations with ILIT | Immediately | Attorney + Insurer | ☐ Pending | ILIT must be irrevocable and pre-existing | |
| Lockup Liquidity | Establish credit facility secured by post-IPO shares pre-lockup | 3–6 months pre-IPO | Banker / Wealth Mgr | ☐ Pending | Pledging agreement must be arms-length | |
| Lockup Liquidity | Estimate Q4 estimated tax payments due during lockup | Pre-IPO | CPA | ☐ Pending | Options exercised pre-IPO = income in that year | |
| Lockup Liquidity | Explore 10b5-1 plan adoption before lockup expiration | Pre-lockup expiry | Broker + Attorney | ☐ Pending | Must be adopted during open window | |
| Lockup Liquidity | Model after-tax proceeds at various sell prices post-lockup | Pre-IPO | Advisor | ☐ Pending | LTCG if held >1 year from exercise | |

# IRREVOCABLE TRUST SETUP & GIFTING SCHEDULES (409A-Based)

## SECTION A: TRUST FORMATION CHECKLIST

| Step | Action / Requirement | Detail / Guidance | Completed | Date / Notes | | | |
|---|---|---|---|---|---|---|---|
| 1 | Select Trust Type | Spousal Lifetime Access Trust (SLAT), Dynasty Trust, or Grantor Retained Annuity Trust (GRAT). SLATs ideal for married couples; dynasty trusts for multi-generational transfer. | ☐ | | | | |
| 2 | Choose Trust Situs | Nevada, South Dakota, or Delaware preferred — no state income tax on trust earnings, perpetuity statutes, and creditor protection. | ☐ | | | | |
| 3 | Appoint Independent Trustee | Must NOT be grantor. Consider corporate trustee or independent individual. Grantor as trustee creates estate inclusion risk (IRC §2036). | ☐ | | | | |
| 4 | Draft Trust Document | Include Crummey withdrawal rights for annual exclusion gifts, spendthrift provisions, and HEMS distribution standard. Ensure non-grantor trust language if QSBS stacking is intended. | ☐ | | | | |
| 5 | Obtain Trust EIN | Required for non-grantor trusts. File SS-4. Grantor trusts may use grantor's SSN during grantor's lifetime. | ☐ | | | | |
| 6 | Open Trust Bank / Brokerage Account | Title: '[Grantor Name] Irrevocable Trust dtd [Date], [Trustee Name], Trustee'. Must match trust document exactly. | ☐ | | | | |

# IRREVOCABLE TRUST SETUP & GIFTING SCHEDULES (409A-Based)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 7 | Obtain Current 409A Valuation | 409A must be <12 months old (or <3 months if material change in circumstances). IRS safe harbor = good faith reliance. Use for gift valuation. | ☐ | | | | |
| 8 | Transfer Shares to Trust | Execute stock transfer agreement at 409A FMV. Prepare gift tax analysis. File Form 709 if BEA is used. | ☐ | | | | |
| 9 | File Form 709 (Gift Tax Return) | Due April 15 of year following gift (or October 15 with extension). Allocate GST exemption on Schedule D if dynasty trust. | ☐ | | | | |
| 10 | Crummey Notice Distribution | Written notice to each beneficiary within 30 days of contribution. Must allow 30-day withdrawal window. Document in trust files. | ☐ | | | | |
| 11 | Annual Trust Administration | File Form 1041 (non-grantor) or attach statement to grantor's return. Maintain separate accounting. Annual trustee review. | ☐ | | | | |
| 12 | Pre-IPO S-1 Review | Confirm company permits share transfers to trusts. Review shareholder agreement, right of first refusal (ROFR), and transfer restrictions. | ☐ | | | | |
| | | | | | | | |
| | | | | | | | |

## SECTION B: 409A-BASED GIFTING SCHEDULE (Model — Update Inputs in Yellow)

| Year | 409A FMV / Share | Shares to Gift | Gift Value | Annual Excl. Used | BEA Used | Cumulative BEA Used | Remaining BEA |
|---|---|---|---|---|---|---|---|

⚠ *Yellow cells are inputs. Update 409A FMV and share count per year. BEA column auto-calculates. Annual exclusion = $19,000/donee; adjust for number of beneficiaries (e.g., 2 donees × $19,000 = $38,000 if gift-splitting).*

# IRREVOCABLE TRUST SETUP & GIFTING SCHEDULES (409A-Based)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2024 | **$12.50** | **3,040** | $38,000 | **$38,000** | $0 | $0 | $13,990,000 |
| 2025 | **$15.00** | **2,000** | $30,000 | **$38,000** | $0 | $0 | $13,990,000 |
| 2026 | **$18.00** | **1,500** | $27,000 | **$38,000** | $0 | $0 | $13,990,000 |
| 2027 | **$22.00** | **1,000** | $22,000 | **$38,000** | $0 | $0 | $13,990,000 |
| 2028 | **$27.00** | **750** | $20,250 | **$38,000** | $0 | $0 | $13,990,000 |
| **TOTAL** | | **8,290** | **$137,250** | **$190,000** | **$0** | | |

## SECTION C: IRREVOCABLE TRUST TYPE COMPARISON

| Trust Type | Best For | Estate Tax Benefit | Income Tax Treatment | Key Risks / Requirements | Pre-IPO Priority | | |
|---|---|---|---|---|---|---|---|
| SLAT<br>(Spousal Lifetime Access Trust) | Married couples; spouse needs access to assets | Removes assets from taxable estate at 409A FMV | Grantor trust — income taxed to grantor, trust assets grow tax-free | Reciprocal trust doctrine risk; spouse must survive; divorce terminates access | ★★★★★ Highest Priority | | |
| GRAT<br>(Grantor Retained Annuity Trust) | High-growth assets likely to outperform §7520 rate | Appreciation above §7520 rate passes estate-tax-free | Grantor trust; annuity payments taxable as income to grantor | Zeroed-out GRATs risky if asset doesn't appreciate; death before term = failure | ★★★★☆ Strong for pre-IPO shares | | |
| Dynasty / GST Trust | Multi-generational wealth transfer; maximum GST exemption use | Perpetual estate tax exemption if properly structured | Can be grantor or non-grantor; non-grantor enables QSBS stacking | Must allocate GST exemption; complex administration; irrevocable | ★★★★☆ Critical if QSBS stacking across generations | | |
| IDGT<br>(Intentionally Defective Grantor Trust) | Installment sales of highly appreciated pre-IPO shares | Removes full FMV + appreciation from estate via installment note | Grantor trust — grantor pays income tax; no gain recognized on sale to trust | IRS scrutiny; note must be bona fide; adequate interest (AFR) | ★★★★☆ Consider for large blocks of pre-IPO stock | | |
| ILIT<br>(Irrev. Life Insurance Trust) | Life insurance proceeds to pay estate taxes during lockup | Keeps insurance proceeds out of taxable estate | Non-grantor; trust pays premiums from gifted funds (Crummey) | Crummey notices required; grantor cannot retain any incidents of ownership | ★★★☆☆ Important for liquidity planning during lockup | | |

# QSBS ELIGIBILITY VERIFICATION — IRC §1202 ($10M / 10X EXCLUSION)

*Section 1202 of the IRC allows non-corporate taxpayers to exclude up to $10M (or 10× adjusted basis) of gain on the sale of Qualified Small Business Stock (QSBS). All eligibility tests below must be satisfied. Document each item with written evidence and store in permanent deal file.*

**SECTION A: ISSUER-LEVEL TESTS (Company Must Satisfy At Issuance)**

| # | Test / Requirement | IRC Cite | Threshold / Standard | Client Status | Evidence Required | Pass? |
|---|---|---|---|---|---|---|
| 1 | C-Corporation Status | §1202(e)(4) | Must be a domestic C-corp at time of issuance and continuously through holding period | Enter: C-Corp / S-Corp / LLC | Articles of incorporation; IRS entity classification | ☐ Yes ☐ No |
| 2 | Active Business Requirement | §1202(e)(1) | ≥80% of assets used in active conduct of qualified trade or business (QTB) | Enter: % of assets in QTB | CFO certified balance sheet; list of activities by SIC code | ☐ Yes ☐ No |
| 3 | Excluded Businesses (Negative List) | §1202(e)(3) | NOT a professional services firm (law, health, finance, hospitality, consulting) or hotel/motel/restaurant | Enter: Industry / SIC | Independent legal opinion on QTB status; SIC code documentation | ☐ Yes ☐ No |
| 4 | Aggregate Gross Assets ≤ $50M | §1202(d)(1) | Aggregate gross assets of company must be ≤$50M at date of issuance (and immediately after, considering proceeds received) | Enter: Gross assets at issuance ($) | Audited or board-certified balance sheet at issuance date; include cash from offering | ☐ Yes ☐ No |

# QSBS ELIGIBILITY VERIFICATION — IRC §1202 ($10M / 10X EXCLUSION)

| | | | | | | |
|---|---|---|---|---|---|---|
| 5 | No Prior QSBS Repurchases | §1202(c)(3) | Company cannot have repurchased stock from shareholder (or related party) in 2 years before or after issuance | Enter: Any buybacks? Y/N | Board minutes; cap table history; transfer ledger | ☐ Yes ☐ No |
| 6 | Original Issue — No Secondary Purchases | §1202(c)(1) | Stock must be acquired at original issuance (money, property, or services). Cannot be purchased on secondary market. | Enter: Issuance type | Stock certificate; grant notice; subscription agreement dated at original issuance | ☐ Yes ☐ No |
| | | | | | | |
| | | | | | | |

**SECTION B: HOLDER-LEVEL TESTS (Each Taxpayer Must Satisfy)**

| # | Test / Requirement | IRC Cite | Threshold / Standard | Client Status | Evidence Required | Pass? |
|---|---|---|---|---|---|---|
| 7 | 5-Year Holding Period | §1202(a) | Stock must be held for MORE than 5 years from original issuance date before sale | Enter: Issuance date / Projected sale date | Brokerage statement; stock ledger; grant agreement | ☐ Yes ☐ No |
| 8 | Non-Corporate Taxpayer | §1202(a) | Exclusion available only to individuals, partnerships (pass-through), and trusts (if non-grantor). NOT available to C-corps. | Enter: Taxpayer entity type | Trust agreement confirming non-grantor status; partnership structure chart | ☐ Yes ☐ No |

# QSBS ELIGIBILITY VERIFICATION — IRC §1202 ($10M / 10X EXCLUSION)

| | | | | | | |
|---|---|---|---|---|---|---|
| 9 | Original Issuance to Taxpayer | §1202(b)(1) | Each taxpayer claiming exclusion must have acquired stock at original issuance (gifts and inheritance generally preserve QSBS status per §1202(h)) | Enter: How acquired (original / gift / inheritance) | Gift documentation; Form 709; decedent's stock certificate | ☐ Yes ☐ No |
| 10 | Stacking Across Taxpayers | §1202(b)(1) | Each separate taxpayer (individual, trust, partnership) gets their own $10M exclusion. Plan to gift QSBS into separate non-grantor trusts. | Enter: # of qualifying taxpayers (target ≥3–5) | Separate trust EINs; separate cap table entries per taxpayer | ☐ Yes ☐ No |
| 11 | Qualified Gain Amount | §1202(b)(1) | Exclusion = GREATER of (a) $10M ($5M MFS) less prior §1202 exclusions from same issuer, or (b) 10× adjusted basis of QSBS | Enter: Adjusted basis per share / Total basis | Option grant price; IRC §83 income recognized; exercise records | ☐ Yes ☐ No |
| 12 | State Conformity | State law | Some states (CA, NJ, PA, AL, MS) do NOT conform to §1202 exclusion. Gain fully taxable at state level. | Enter: State of residency | State tax authority guidance; CPA state conformity analysis | ☐ Yes ☐ No |
| | | | | | | |
| | | | | | | |
| **SECTION C: §1202 EXCLUSION CALCULATOR (Inputs in Yellow)** | | | | | | |
| Number of Qualifying QSBS Shares | **250,000** | Enter number of shares acquired at original issuance | | | | |

# QSBS ELIGIBILITY VERIFICATION — IRC §1202 ($10M / 10X EXCLUSION)

| | | | | | | |
|---|---|---|---|---|---|---|
| Adjusted Basis Per Share (exercise price paid) | **$4.00** | Typically = exercise price per option grant | | | | |
| Total Adjusted Basis | $1,000,000 | | | | | |
| Projected Sale Price Per Share (IPO) | **$35.00** | Use range: conservative / base / optimistic | | | | |
| Total Projected Sale Proceeds | $8,750,000 | | | | | |
| Total Gain (Proceeds − Basis) | $7,750,000 | | | | | |
| Exclusion Method A: $10M Cap | $10,000,000 | Per-taxpayer cap; §1202(b)(1)(A) | | | | |
| Exclusion Method B: 10× Adjusted Basis | $10,000,000 | 10× basis may exceed $10M for early employees | | | | |
| Applicable Exclusion (MAX of A or B) | $10,000,000 | | | | | |
| % of Gain Excluded (post-2010 = 100%) | 100% | 100% for QSBS issued after 9/27/2010 | | | | |
| FEDERAL Gain Subject to Tax | $0 | | | | | |
| Estimated Federal Tax Saved (23.8% on excluded gain) | $2,380,000 | Assumes 20% LTCG + 3.8% NIIT on excluded gain | | | | |
| Number of Qualifying Taxpayers (trusts + individuals) | **3** | Each trust with separate EIN = separate taxpayer | | | | |
| TOTAL Potential Exclusion Across All Taxpayers | $30,000,000 | | | | | |
| TOTAL Estimated Tax Savings (All Taxpayers) | $7,140,000 | | | | | |

# ISO vs. NSO EXERCISE STRATEGY — AMT & ORDINARY INCOME TAX IMPACT MATRIX

## SECTION A: ISO vs. NSO — KEY STRUCTURAL DIFFERENCES

| Feature | Incentive Stock Option (ISO) | Non-Qualified Stock Option (NSO) |
|---|---|---|
| Eligibility | Employees only (not directors/consultants) | Employees, directors, consultants, advisors |
| Tax at Exercise | NO ordinary income at exercise. Spread = AMT preference item. | Spread = ordinary income (+ SE tax if consultant). Withholding required. |
| AMT Exposure | Spread (FMV − Strike) added to AMTI. Can trigger significant AMT liability in high-FMV pre-IPO exercise. | No AMT impact on exercise. Only regular tax applies. |
| Tax on Sale — Qualifying Disposition | 100% LTCG if held >2 years from grant AND >1 year from exercise. No ordinary income. | N/A — all tax occurs at exercise (ordinary income on spread). |
| Tax on Sale — Disqualifying Disposition | Ordinary income on lesser of (a) spread at exercise or (b) actual gain. Balance = LTCG. | N/A |
| FICA / Medicare Tax | No FICA at exercise or sale | FICA applies on spread at exercise (up to SS wage base; 1.45% Medicare unlimited + 0.9% additional) |
| Company Deduction | No deduction (unless disqualifying disposition) | Deduction equal to spread at exercise |
| ISO $100K Limit | ISOs vesting in any calendar year limited to $100K aggregate FMV at grant. Excess treated as NSO. | No limit on amount |

# ISO vs. NSO EXERCISE STRATEGY — AMT & ORDINARY INCOME TAX IMPACT MATRIX

| | | |
|---|---|---|
| 83(b) Election | Available on early exercise of unvested ISOs. Locks in FMV at exercise for AMT purposes. | Available on unvested NSOs — ordinary income = FMV at grant date (if stock is restricted) |
| QSBS Compatibility | ISOs that are exercised and held as stock CAN qualify for §1202 exclusion if other tests met. | NSOs can produce QSBS-qualifying shares on exercise if §1202 tests met (basis = FMV at exercise) |
| Pre-IPO Strategy Implication | Early exercise + 83(b) minimizes AMT spread. Must model AMT liability vs. capital available. | Exercise timed to maximize ordinary income deductions; consider spreading over multiple tax years. |

**SECTION B: ISO EXERCISE — AMT SENSITIVITY MATRIX (Inputs in Yellow)**

| | |
|---|---:|
| ISO Strike Price | $4.00 |
| Number of ISOs to Exercise | 100,000 |
| Regular Taxable Income (non-ISO, est.) | $750,000 |
| Filing Status | MFJ |
| AMT Exemption (MFJ 2026 est.) | $137,000 |
| AMT Phaseout Threshold (MFJ 2026 est.) | $1,242,600 |
| Federal AMT Rate | 26% / 28% |
| AMT Credit Carryforward Available | $0 |

**ISO AMT SENSITIVITY: 409A FMV AT EXERCISE DATE vs. NUMBER OF SHARES EXERCISED**

# ISO vs. NSO EXERCISE STRATEGY — AMT & ORDINARY INCOME TAX IMPACT MATRIX

*⚠ AMT Preference Item = (FMV at Exercise − Strike Price) × Shares Exercised. Cells show estimated AMT PREFERENCE ITEM added to AMTI (not final AMT liability — depends on regular tax, exemption, and phaseout). Red = High AMT Risk (>$500K), Amber = Moderate (>$150K), Green = Lower (<$150K).*

| FMV / Shares → | 25,000 shares | 50,000 shares | 75,000 shares | 100,000 shares | 150,000 shares | 200,000 shares |
|---|---|---|---|---|---|---|
| FMV = $8.00/share | $100,000 | $200,000 | $300,000 | $400,000 | $600,000 | $800,000 |
| FMV = $10.00/share | $150,000 | $300,000 | $450,000 | $600,000 | $900,000 | $1,200,000 |
| FMV = $12.50/share | $212,500 | $425,000 | $637,500 | $850,000 | $1,275,000 | $1,700,000 |
| FMV = $15.00/share | $275,000 | $550,000 | $825,000 | $1,100,000 | $1,650,000 | $2,200,000 |
| FMV = $18.00/share | $350,000 | $700,000 | $1,050,000 | $1,400,000 | $2,100,000 | $2,800,000 |
| FMV = $22.00/share | $450,000 | $900,000 | $1,350,000 | $1,800,000 | $2,700,000 | $3,600,000 |
| FMV = $27.00/share | $575,000 | $1,150,000 | $1,725,000 | $2,300,000 | $3,450,000 | $4,600,000 |

## SECTION C: NSO EXERCISE — ORDINARY INCOME & NET PROCEEDS ANALYSIS

| Scenario | NSO Strike | FMV at Exercise | Spread / Share | Shares Exercised | Ordinary Income | Est. Tax (40.8%) | Net Cash After Tax |
|---|---|---|---|---|---|---|---|
| Conservative | $5.00 | $12.50 | $7.50 | 50,000 | $375,000 | $153,000 | $222,000 |
| Conservative | $5.00 | $12.50 | $7.50 | 100,000 | $750,000 | $306,000 | $444,000 |
| Base Case | $5.00 | $18.00 | $13.00 | 50,000 | $650,000 | $265,200 | $384,800 |
| Base Case | $5.00 | $18.00 | $13.00 | 100,000 | $1,300,000 | $530,400 | $769,600 |
| Optimistic | $5.00 | $25.00 | $20.00 | 50,000 | $1,000,000 | $408,000 | $592,000 |
| Optimistic | $5.00 | $25.00 | $20.00 | 100,000 | $2,000,000 | $816,000 | $1,184,000 |
| High Dilution Risk | $5.00 | $35.00 | $30.00 | 50,000 | $1,500,000 | $612,000 | $888,000 |
| High Dilution Risk | $5.00 | $35.00 | $30.00 | 100,000 | $3,000,000 | $1,224,000 | $1,776,000 |

## SECTION D: 83(b) ELECTION DECISION FRAMEWORK — ISOs & RESTRICTED SHARES

# ISO vs. NSO EXERCISE STRATEGY — AMT & ORDINARY INCOME TAX IMPACT MATRIX

| Scenario | File 83(b)? | Timing | AMT Consequence | QSBS Clock Impact | Key Risk | | |
|---|---|---|---|---|---|---|---|
| ISO — early exercise while FMV ≈ strike (spread ~$0) | YES — strongly recommended | Within 30 days of exercise (no exceptions) | Minimal AMT if spread is near zero at exercise. AMT preference item = $0 if FMV = strike. | Starts 5-year QSBS clock and 1-year ISO qualifying disposition clock immediately | If company fails before vesting, 83(b) income cannot be recaptured | | |
| ISO — exercise when FMV significantly exceeds strike | 83(b) N/A for ISOs; 83(b) is automatic on exercise of vested ISOs | N/A | Large AMT preference item = (FMV − Strike) × Shares. Model carefully. | QSBS clock starts at exercise | AMT liability may be due even if shares cannot be sold during lockup | | |
| NSO — unvested, restricted stock | YES — if FMV is low and strong IPO thesis | Within 30 days of grant/early exercise | No AMT. Ordinary income locked at FMV at 83(b) date (typically low pre-IPO). | Starts QSBS clock. Basis = FMV at 83(b) date | If stock is later forfeited, no deduction for amount included in income at 83(b) | | |
| RSU — vesting | 83(b) NOT available for RSUs by IRS position | N/A | Ordinary income at vesting = FMV × shares vested. No AMT. | RSUs generally NOT QSBS-eligible (no 'purchase' at issuance) | Cannot defer income from RSU vesting through 83(b) | | |

# BENEFICIARY DESIGNATIONS, TRUST TITLING & LOCKUP LIQUIDITY MANAGEMENT

## SECTION A: ASSET TITLING MAP — PROBATE BYPASS BY ASSET CLASS

| Asset Class | Current Titling | Recommended Titling / Mechanism | Probate? | Step-Up at Death? | Estate Incl.? | Action Required |
|---|---|---|---|---|---|---|
| Primary Residence | Joint tenancy / individual | Revocable Living Trust or JTWROS (avoids probate but not estate tax) | No (if trust/JTWROS) | Yes — full step-up | Yes | Deed into revocable trust; update title insurance |
| Taxable Brokerage Accounts | Individual / TOD | Revocable Trust — Title: '[Name] Revocable Trust dtd [Date]'. Alternative: TOD designation. | No | Yes — full step-up | Yes | Re-title at custodian; update new account forms |
| Pre-IPO Company Stock (exercised) | Individual | Irrevocable Trust (SLAT / Dynasty). Must transfer at 409A FMV with gift tax analysis. | No | No — carryover basis in trust | No (if irrevocable) | Stock transfer agreement; Form 709 if BEA used |
| Unexercised ISOs | Individual (not transferable) | ISOs generally NON-TRANSFERABLE except to estate. CANNOT be gifted to trust. | Yes (estate) | N/A — ordinary income at exercise | Yes | Note: exercise ISOs first, then gift resulting shares |
| Unexercised NSOs | Individual | NSOs may be transferable to irrevocable trust if plan document permits. Verify with company. | Depends on plan | N/A — ordinary income at exercise | Plan-dependent | Review option plan and grant agreement; request company consent |
| IRAs / 401(k)s | Individual — named beneficiary | Do NOT title IRA/401k to trust in most cases. Name spouse as primary, trust as contingent ONLY with attorney guidance (see conduit trust rules). | No (beneficiary) | No — income in respect of decedent (IRD) | Yes (SECURE Act 10-year rule) | Review beneficiary designations annually; confirm post-SECURE 2.0 compliance |
| Roth IRA | Individual — named beneficiary | Name children / descendants directly. 10-year rule applies to non-EDBs post-SECURE 2.0. | No | No (already after-tax) | Yes | Update beneficiary forms; consider Roth conversion analysis |

# BENEFICIARY DESIGNATIONS, TRUST TITLING & LOCKUP LIQUIDITY MANAGEMENT

| | | | | | | |
|---|---|---|---|---|---|---|
| Life Insurance (personal) | Estate / individual | Transfer to ILIT if >$1M. Or name trust as contingent beneficiary. Avoid estate inclusion — 3-year lookback applies to new transfers. | No (if ILIT) | No | No (if ILIT) | Create ILIT; transfer policy >3 years before death; or new policy purchased by ILIT |
| 529 / Education Accounts | Individual account owner | Remain in individual name. Beneficiary = child. SECURE 2.0: unused funds roll to Roth IRA. | Yes unless named beneficiary | N/A | No (not in estate if <5-year gift averaging) | Name contingent successor account owner |
| Post-IPO Shares (after exercise) | Individual / Trust | If in revocable trust: probate-free with full step-up. If irrevocable trust: estate-free, basis = exercise price (no step-up). | No (trust) | Only in revocable trust | No (irrevocable) | Coordinate with lockup release and 10b5-1 plan |
| | | | | | | |
| | | | | | | |

## SECTION B: BENEFICIARY DESIGNATION CHECKLIST

| Account / Policy | Primary Beneficiary | Contingent Beneficiary | Per Stirpes? | Last Updated | Action | |
|---|---|---|---|---|---|---|
| 401(k) / Employer Plan | Spouse (ERISA requires) | Children / Dynasty Trust (attorney review) | Yes | Enter Date | ☐ Update | |
| IRA (Traditional) | Spouse | Children or Conduit Trust | Yes | Enter Date | ☐ Update | |
| Roth IRA | Spouse | Children (10-year rule) | Yes | Enter Date | ☐ Update | |
| Life Insurance — Policy 1 | Spouse or ILIT | ILIT or Children | Yes | Enter Date | ☐ Update | |
| Life Insurance — Policy 2 | Enter Name | Enter Name | ☐ | Enter Date | ☐ Update | |
| Annuity | Spouse | Children / Trust (verify with carrier) | Yes | Enter Date | ☐ Update | |
| HSA | Spouse (tax-free) or Children (taxable) | Estate (avoid) | N/A | Enter Date | ☐ Update | |
| Brokerage — TOD | Revocable Trust | N/A (trust governs) | N/A | Enter Date | ☐ Update | |
| | | | | | | |

# BENEFICIARY DESIGNATIONS, TRUST TITLING & LOCKUP LIQUIDITY MANAGEMENT

## SECTION C: LOCKUP-PERIOD LIQUIDITY MANAGEMENT — TAX PAYMENT PLANNING

### C1: ESTIMATED TAX LIABILITY DURING LOCKUP (Inputs in Yellow)

| | |
|---|---|
| Year of ISO/NSO Exercise | **2026** |
| Total NSO Ordinary Income (exercise year) | **$1,500,000** |
| Total ISO AMT Preference Item | **$800,000** |
| Estimated Federal Income Tax on NSO (40.8%) | $612,000 |
| Estimated Federal AMT on ISOs (est. 26%–28%) | $208,000 |
| Virginia State Income Tax (5.75% max rate) | $132,250 |
| TOTAL ESTIMATED TAX LIABILITY | $952,250 |
| Cash Available at Exercise (non-IPO sources) | **$200,000** |
| ESTIMATED CASH SHORTFALL | $752,250 |
| IPO Lockup Expiration Date (estimated) | **Enter Date** |
| Q4 Estimated Tax Due Date (if exercise in Q4) | January 15, 2027 |

### C2: LOCKUP LIQUIDITY STRATEGIES — CHECKLIST & COMPARISON

| Strategy | How It Works | Cost / Rate | Risk Level | Tax Treatment | Recommended? | Action |
|---|---|---|---|---|---|---|

# BENEFICIARY DESIGNATIONS, TRUST TITLING & LOCKUP LIQUIDITY MANAGEMENT

| | | | | | | |
|---|---|---|---|---|---|---|
| Margin Loan / Pledged Asset Line (PAL) | Borrow against pre- or post-IPO shares. Interest charged on drawn balance only. No securities sold. | SOFR + 0.5%–1.5% (est. 5.5%–6.5% in 2026) | Medium — forced liquidation if shares drop below maintenance margin | Interest may be deductible as investment interest expense (Form 4952). NOT deductible vs. tax-exempt income. | ★★★★★ Preferred | □ Contact prime brokerage / wealth management bank 90 days pre-IPO |
| 10b5-1 Trading Plan | Pre-scheduled, systematic sales of shares adopted during an open trading window, allowing sales during lockup expiration. | Broker commissions only | Low legal risk if adopted in good faith. Market risk on sale prices. | Sales = LTCG if held >1 year from exercise. Must track ISO qualifying disposition periods. | ★★★★☆ Critical for insiders | □ Engage securities counsel 120 days before lockup expiry; adopt plan during open window |
| Cashless ISO/NSO Exercise (company-facilitated) | Exercise and simultaneous sell to cover taxes. Net shares delivered after tax withholding. | Broker fee + immediate tax withheld | Low — company facilitates; no cash needed | Same-day sale = disqualifying disposition for ISOs (ordinary income on full gain). NSOs: ordinary income at exercise. | ★★★☆☆ Use selectively | □ Understand ISO disqualification consequences before electing cashless exercise |
| Exchange Fund Contribution | Contribute appreciated shares into a diversified exchange fund, receiving a pro-rata interest. No immediate gain recognition. | Management fees ~0.5%–1.5% per year | Medium — 7-year lockup in fund; requires $1M+ investment minimum | No gain at contribution. Carryover basis. Gain deferred until fund interest is sold. | ★★★☆☆ Good for concentration risk | □ Identify fund sponsors (Goldman Sachs, Morgan Stanley, Fidelity); verify 7-year commitment ability |
| Qualified Opportunity Zone (QOZ) Investment | Invest capital gains from stock sale into QOZ fund within 180 days. Defer gain until 2026 (latest); potential step-up and exclusion. | Investment return-dependent; illiquid 10-year hold | High — illiquid, regulatory risk, economic risk of underlying QOZ project | Defer original gain to 2026; 15% step-up if held 7 years (note: 2026 inclusion event). QOZ appreciation excluded if held 10 years. | ★★☆☆☆ Situational | □ Consult QOZ specialist; identify approved QOZ funds; confirm 180-day election window |

## BENEFICIARY DESIGNATIONS, TRUST TITLING & LOCKUP LIQUIDITY MANAGEMENT

| | | | | | | |
|---|---|---|---|---|---|---|
| Charitable Remainder Trust (CRT) | Contribute appreciated shares to CRT before sale. CRT sells tax-free. Annuity paid back to donor for life or term. Remainder to charity. | Legal fees + trustee fees; no upfront tax | Low — irrevocable; must have genuine charitable intent | Partial charitable deduction at contribution. Annuity = mix of ordinary income, LTCG, and tax-free over time (4-tier ordering). | ★★★☆☆ Good for charitably-inclined | ☐ Engage CRT attorney pre-IPO; determine NIMCRUT vs. standard CRT based on liquidity needs |
| Installment Sale to Grantor Trust (IDGT) | Sell shares to intentionally defective grantor trust via installment note at AFR. Spread recognition deferred over note term. | AFR interest (currently ~4.5%–5% for long-term) | Medium-Low — IRS scrutiny; adequate interest rate required | No gain at sale. Installment payments are return of basis + capital gain spread over note term. Trust accumulates gains income-tax-free. | ★★★★☆ Excellent for large blocks | ☐ Draft IDGT note; obtain 409A valuation; document arm's-length terms |