

10 THINGS YOU SHOULD KNOW TO GET THE MOST FROM YOUR EMPLOYEE STOCK OPTIONS.

1

In real estate, it's "location, location, location." In stocks, the word is, "diversify, diversify, diversify."

The number one reason that people don't diversify is that they believe their company's stock will continue to rise. This assumption is shaky, to say the least. Volatility is a certainty. What if you have to sell while the stock is (temporarily) down? What if the stock drops and doesn't come back? Diversification helps reduce risk.

2

Doing nothing also has risks.

Employee stock options are not like owning stocks. Typically, they come with a ten-year window of opportunity, after which they disappear if not exercised. If you wait too long to exercise, your flexibility drops as the deadline approaches, and you run the risk of creating an unexpected (and unnecessarily large) tax bill.

3

Having a financial advisor can help.

An advisor helps with both the big stuff and also the details. They understand how to select financial instruments that address your goals. They also understand details like the different ways that employee stock options can be exercised while also helping to minimize taxes. Finally, like the carpenter that you hire to build your addition, they own the right tools to make the job easier.



4

The planning PROCESS has benefits beyond the plan itself.

Even if you never set your plan in motion, going through the process will teach you things about your personal and family goals that you never knew. It will help you set priorities, discover your comfort with risk, and bring a useful coherence to your financial picture. Remember, having a plan does not obligate you to do anything about it.

5

Building wealth is different than just saving money.

If you have a regular savings plan, you are already ahead of most of your peers. However, few of us have incomes that permit significant growth and leverage. A total plan is one that takes short-term and long-term needs into account, along with strategies for leveraging assets like stock options where the value can be deferred.

6

Taxes can eat up your gains, even when you do everything else right.

Stock gains are sometimes classed as ordinary income, sometimes capital gains and sometimes can trigger Alternative Minimum Tax (AMT). AMT is something that can potentially be avoided, or at least minimized with smart planning. It is one of those details that financial advisors know about, and the rest of us may not.

Even solid companies have their ups and downs. Being forced to exercise stock options during a down fluctuation costs money.

7

Any plan is better than no plan, but there is such a thing as an "optimized plan."

A plan can be developed from a cookie-cutter template. However, an optimized plan fits your situation. It takes advantage of your personal opportunities, your kids, your plans for a major purchase such as a house or college. It spreads risk to suit your tolerance and it minimizes taxes based on your situation.

8

A plan is always a work in progress.

Like your house there is always maintenance, but if it was built right the upkeep is easy to do. A financial plan is also something to revisit on a regular basis to incorporate changes in your situation, your current and long-term needs, and your revised or refined goals.

9

Your family is counting on you to get it right; who are you counting on?

Financial security is a heavy responsibility even when shared by a couple. A financial advisor can not only help with advice, but can represent a perspective outside the family pressures that can sometimes be useful in bringing differing opinions into alignment.

10

Don't leave your stock option wealth to chance!

Too many people leave money on the table because they don't have a well-planned strategy.

- Review what your employee stock options are worth right now.
- Integrate your stock options with the rest of your financial assets and family goals.
- Seek an experienced advisor to help you design a customized stock option management strategy that can optimize your wealth and manage risk.