v Advising in Real Life: Easing the Risks of Concentrated Wealth

> Summary

When his employer went public, David and his wife, Cindy, earned a significant amount of wealth. In fact, more than 90% of their wealth was tied up in David's highly appreciated - but also highly volatile - company stock. The couple's estate planning attorney referred the couple to TFC to help them diversify their positions, with the ultimate goal of securing financial independence and to facilitate charitable giving.

> How TFC Financial helped

Now in their late 50s, David and Cindy have two sons and live in the suburbs of Boston. They had three major financial and lifestyle goals: they wished to continue enjoying the stock's current and potential appreciation, protect their wealth through diversification, and involve their children in their legacy of giving.

We recommended and executed a comprehensive strategy that included incremental share sales at pre-determined times; a strategy to capture potential share appreciation; and funding a Charitable Remainder Trust for tax efficient share sales, current income, and a charitable gift.

Our approach

- To support David and Cindy's goals, we presented and helped to implement a comprehensive strategy that included:
- Selling one-third of David's company stock at pre-determined prices in the very near-term and using the proceeds to fund a globally diversified core portfolio of equities and fixed income securities. We also agreed to sell a pre-determined number of shares quarterly over the next three years at predetermined market prices, capturing both share value and potential appreciation.
- Executing a zero-cost collar strategy of Put and Call options to limit their downside on the shares they continued to own.
- Analyzing various financial independence models, proving that their current wealth could potentially maintain their lifestyle and allow future charitable gifts.
- Implementing a Charitable Remainder Trust (CRT) to tax efficiently diversify a portion of the stock, simultaneously create another source of retirement income, and make a charitable gift of the remainder value of the trust.
- Donating their lowest cost basis shares directly to charities to offset their higher-than-usual tax liability from the sale of shares.
- Funding a Charitable Donor Advised Gift Fund to begin to include their sons in their charitable giving, with the goal of creating a family charitable giving legacy.

These case studies are hypothetical client profiles and are for demonstration purposes only. Any similarities to actual TFC Financial Advisor's clients past or present are strictly coincidental.

v Advising in Real Life: Financial Planning Amidst the Anxiety of Divorce

> Summary

In more than 20 years of marriage, Sally and her husband had amassed a significant portfolio of investments, savings, retirement assets, pensions as well as a substantial amount of both vested and unvested stock options. When the couple decided to file for divorce, the financial complexity added to Sally's anxiety at an already turbulent time. She and her attorney sought our advice to help analyze the many complex settlement options being discussed.

We created an analytical framework to assess the potential long-term value of each settlement scenario. In the end, Sally felt comfortable with our recommendation to take more vested and soon-to be vested stock options in lieu of alimony and options vesting much later. This strategy was designed to potentially insulate Sally from future stock fluctuations and the possibility that alimony could be reduced if her ex-husband's employment were to change.

> How TFC Financial helped

Sally, a stay-at-home mom, was quite nervous about negotiating with her husband, whom she felt was much more financially savvy. If negotiations went poorly, Sally worried, she might have to re-enter the workforce after nearly 20 years. We sought to reassure her through frequent conference calls and emails (Sally lived on the West Coast) about her prospects for a positive outcome.

> Our approach

Using an analytical model we developed, we assessed each potential settlement by valuing options at different stock prices, together with varying amounts of alimony and divisions of assets. We also modeled what Sally considered her "worst-case financial scenario;" even in this case, we were able to show her that she could still be financially independent. We then illustrated for Sally and her attorney the financial impact each settlement option would have on her cash flow and net worth.

These activities were designed to prepare both Sally and her attorney for the many rounds of negotiations. We also provided a path that could protect her from having much of her net worth tied up in the stock of her ex-husband's employer, and would allow her to diversify her investment holdings.

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v Advising in Real Life: When a Client Becomes a Widow

> Summary

After a sudden illness, Bill passed away, leaving his wife of 45 years with a significant portfolio and an equal amount of doubt. Jane and Bill were longtime TFC Financial clients, but she generally played a passive role in the couple's financial decisions. Now, she worried that her husband's death would threaten everything the couple had worked for.

We worked quickly to ease Jane's fears and her transition. We communicated frequently with Jane's children, upon whom she began to rely. We coordinated financial and estate affairs with Jane's attorney and CPA, consolidated her investment accounts.

> How TFC Financial helped

Jane and Bill had a home in the suburbs as well as a Cape Cod vacation home. They spent a great deal of time with their family at the second home, and it was an important part of their lives. They also actively contributed to their grandchildren's college savings. Jane now worried that both these priorities might be in jeopardy.

To start we immediately established monthly distributions into Jane's bank account for regular living expenses, then we addressed the vacation home and college savings contributions.

> Our approach

Though her children weren't privy to their parents' financial plan, Jane relied on them heavily in the months after Bill's death. To help educate the family, we coordinated meetings with Jane's children to share relevant financial details and answer questions, which helped inform everyone involved.

In addition to their assets with us, Jane and Bill had numerous other investment accounts. At Jane's request and with the agreement of her children, we coordinated with the other financial partners involved. This included the management and the consolidation of all assets to TFC Financial to simplify future reporting and management of her investments.

Bill had also acquired various stock options. This required us to analyze various payout options, and we collaborated closely with Jane's CPA to find solutions that would benefit her and her heirs.

Finally, we consulted with Jane's estate attorney - who first referred the couple to us 12 years ago - on the appropriate trust funding and reallocation of assets.

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