SUMMITRY

TOP 4 REASONS TO CHOOSE A BAY AREA FINANCIAL ADVISOR

Bay Area Investors face challenges that are not common in other parts of the country. Let's discuss the unique concerns you may be facing and what to look for when hiring a financial advisor.

There is much to love about living in the Bay Area. From our incredible mix of global cultures to our fantastic weather to the seemingly endless list of outdoor recreation activities, there's no question why people from around the world choose to call the Bay Area home.

The Bay Area is also home to some of the biggest and most successful players in the technology, aerospace, biotech, communications, and financial services companies on the planet. The Bay Area is even host to the world's most dynamic companies in the automotive industry, once solidly the domain of the American Midwest. As a result, the local economy and in particular, real estate markets have thrived for many decades. This has all come together to create an unusual ecosystem with a specific set of financial concerns and opportunities. Here we'll discuss four of the most common challenges:

- **Stock options grants** and how to maximize your wealth while minimizing tax implications
- **Real estate** decisions and how they fit into your broader financial picture
- **Estate planning** and the reasons they aren't just for the aged
- **Financial planning** and gaining peace of mind about your future

As a Bay Area founded and based wealth management firm, Summitry has been helping individuals and families thrive and achieve their near and long-term goals for decades. Our team's knowledge is steeped in local insight and experience, providing our clients with the personalized financial guidance they deserve, freeing them to live their best Bay Area life.

1. Stock-based Compensation & Taxes

The Bay Area is widely known as an incubator of innovation, ripe with opportunities to join the next unicorn and reap the rewards of company stock as part of your compensation package. Here, you need not be the founder or CEO of a company to generate a significant amount of wealth in a fairly short period of time. But that wealth creation also presents challenges and opportunities often overlooked while you were heads-down, earning a living and building a future. Different types of stock-based compensation have different implications.

Restricted Stock Units (RSU) grants

When your employer gives an RSU grant as part of your compensation package, you are promised a number of company shares which will vest incrementally over a period of time – typically monthly or quarterly. The schedule and additional RSU grants are something of an incentive to remain employed for the initial vesting period (often three to five years) and beyond. Refresher grants are designed to extend this loyalty incentive. Understanding this schedule and the value of the RSUs you may be forfeiting if you leave the company for another opportunity is important. Learn (almost) everything you need to know about RSUs here.

Once your RSUs have vested, you'll need to determine whether you want to sell or keep them. Either way, you'll owe income tax on the value of the vested shares, and if you decide to hold on to the shares, tax rules for capital gains and losses apply as if you purchased those shares on the open market on the vesting date: long-term capital gains treatment if you hold the shares for longer than one year, and short-term capital gains treatment if you sell the shares before the one-year mark.

A Summitry financial advisor can analyze the opportunity cost of staying versus leaving your current position for another, as well as a strategy for optimizing tax implications of selling RSUs.

ESPP (Employee stock purchase plan)

One of the unique benefits of employment at a successful public company is the option to purchase stock at a discounted price. Employee stock purchase plans typically offer employees a 10 - 15% discount on company stock, often with a look-back period, during which the discount is based on the lowest stock price between the beginning of the offering and the purchase date. Taking advantage of this benefit is usually as easy as signing up for a direct payroll deduction. However, without proper diligence and record-keeping, employees fall prey to a few avoidable ESPP mistakes. Having a planner engaged who can keep track of these and other assets can help you avoid costly pitfalls or missed opportunities.

Concentrated Stock Positions

Regardless of how you acquire the holding, as stock-based compensation has increased over the years, concentrated risk has become one of the most prevalent and *best problems to have*. As Bay Area-focused wealth management advisors, we regularly encounter situations where clients have large single-stock exposures and need advice as to how to address it. Often, they are unaware of the risk associated with having a large percentage of their investments in a single stock or sector. Sound familiar? Maybe you have ultimate confidence in the performance of the company, especially as a current or former employee.

This confidence however does not erase the risk associated with being highly concentrated.

This is where data-driven, unbiased guidance on how diversification will affect other financial decisions you have coming down the road is crucial.

In many cases, our Bay Area investor clients have a combination of these stock-based compensation challenges and need the objective analysis our financial advisors can provide.

Here's one story of how we helped this Nvidia loyalist save taxes, reduce risk and reap rewards.

Diversification is not a one-size-fits-all strategy. In fact, we have at least seven different diversification tools in our tool belt. But before we look at any one solution or combination of solutions to deploy, we first look at your personal situation including, your liquidity needs, capital gains tax implications, employee stock trading restrictions /blackout periods, your charitable aspirations, and gifting plans. Learn more about the benefits of diversifying your portfolio here.

2. Real Estate Decisions

There are no small decisions when it comes to real estate in the Bay Area. Buying or selling a home comes with its own set of considerations. Here are three common real estate situations where having prudent financial advice and modeling can help you make smarter decisions:

Residential and Vacation Homes

Many of our clients are concerned about whether their children will be able to afford living in the Bay Area once they've finished their education. And for many, buying a vacation home has as much to do with creating a future legacy for their kids as it is for creating warm family memories. But California has more than its share of constantly changing Propositions that have real financial implications for those buying, selling, or transferring property – Prop 19, Prop 60/90 to name a few. By working with a Bay Area focused wealth management team, you can have confidence that the latest changes in tax laws are informing the guidance you're provided when weighing real estate decisions. What may begin as a conversation with a client about how much he should spend on a first home and where he should invest for appreciation, inevitably turns into a broader conversation about possibilities, and what this one real estate decision will mean to their current and future finances.

Inherited Properties

The events surrounding an inheritance are usually emotional and confusing. Inheriting a property may create possibilities for your family, but it can also create complications in your life. Complications increase when there are other beneficiaries weighing whether to sell or keep a loved one's home. There are emotional and financial questions like:

- “What are the tax implications if we sold it?”
- “Should we turn it into a rental property?”
- “Am I honoring the legacy of my loved one with this decision?”

At Summitry, our advisors can provide impartial, data-driven financial information to help you and your family make the most informed decision about your property.

Whether you’re considering becoming a landlord and need help calculating the potential gain (or loss), or unsure if now’s the right time to sell a Bay Area property, we can help you look at these scenarios objectively. There are often misperceptions of the tax consequences of selling or keeping a property. Having a financial advisor aware of the current tax protocols and running the scenarios for you against your broader financial balance sheet can help simplify an otherwise disorienting decision.

Here’s one example of how we helped with an inherited property dilemma.

Investment Properties

Owning investment property in the Bay Area can be lucrative but can also create complex financial considerations. Whether your investment property is intended to provide income, or you are viewing it as an appreciating asset – or both – you need to regularly evaluate the property’s performance to ensure it is meeting or exceeding your investment goals. Working with a financial planner with deep Bay Area real estate knowledge will help you keep track of your investment property by:

- evaluating the historic and potential performance of your property
- running scenarios for mitigating tax burdens
- providing guidance for ownership structuring and estate planning to avoid near term and long-term tax implications, and most importantly,
- assessing the role of your real estate assets within your broader financial plan

3. Estate Planning

For some, estate planning isn't considered until one is about to retire, go on an extreme vacation, or after receiving some unfortunate health diagnosis. But estate planning is not something to be put off. We never know what tomorrow holds and you've worked too hard to accumulate your wealth to have it locked up in probate or severely reduced due to a big tax bill your heirs will unnecessarily need to pay.

Establishing a well-crafted and up-to-date estate plan is a critical component of ensuring that your assets are controlled and transferred in line with your desires at the point of your death or incapacitation. These trust documents must be crafted by experts in their field who have intimate knowledge of state and federal regulations and must be reviewed periodically, as life and laws change.

In California, the most efficient and effective way to transfer assets is through a revocable living trust, but each person and family's situation is unique. A well-put-together trust can also help reduce income and estate taxes, preserve your family's wealth and privacy, and allow your loved one to skip the infamous lengthy and expensive California probate process, saving a lot of time and money.

Having a thorough estate plan that you review and update regularly significantly reduces the chance for problems and gives your heirs peace of mind knowing that they are carrying out your wishes. To eliminate any surprises, establish an estate plan with an experienced trust lawyer and your financial advisor, and review it annually to make sure any changes in assets or wishes are incorporated.

At Summitry, we believe an estate plan is a key component of your overall financial plan. That's why we've established a partnership with highly reputable trust and estate planning firms based locally. We coordinate with them and with our clients to establish estate plans that accurately reflect their will and desires for their wealth when the time comes.

CLIENT SUCCESS STORY

DAD'S SUDDEN DEATH LEAVES ROB UNPREPARED

READ NOW

4. Financial Planning for a Comfortable Future

You want to know that the financial decisions you make now set you up for success in the future. To help you make the best decisions for your life, your family, and your money, you need personalized financial planning and advice from experts. You deserve financial planning services that reflect the nature of your work and your lifestyle, and the unique opportunities and challenges that living in the Bay Area presents.

The term financial planning has become overused and, in some cases, means nothing more than establishing a retirement budget. For Bay Area investors, it's even more critical that your financial plan starts with a deep dive into the aforementioned challenges – stock-based compensations, portfolio concentration, evaluations of real estate assets (primary and secondary), and estate planning, as well as your investment management and charitable desires.

Retirement Planning: Getting to Work Optional

It's a thought that crosses everyone's mind at some point: when can I afford to retire? Reaching retirement takes discipline and proper planning, so the sooner you start to consider the important decisions you need to make, the better off you'll be when it arrives. By working with a wealth management team who can help you prioritize spending and saving based on key goals, such as a desire to retire in the Bay Area, you can feel safe to dream.

A retirement plan is unique to each person and could simply mean work has become optional for you or you are transitioning from one career to another. It could be the result of many years of earning, saving, and prudently investing, or it could be made possible by the sale of a startup, merger/acquisition, or IPO. Ultimately, there will come a time when you want to transition from contributing to your balance sheet to living off your balance sheet, and you'll want to generate income in the most tax efficient manner in retirement.

Whatever your retirement is shaping up to be, you will benefit most by working with an experienced, knowledgeable team to draft a roadmap that's specific to you.

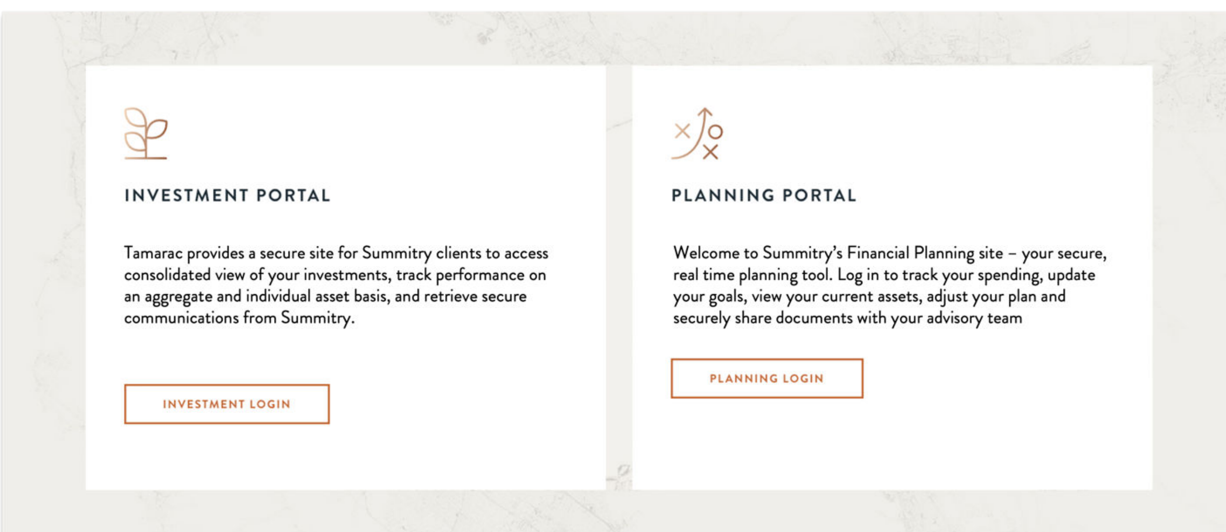
While the benefits of life in the Bay Area are profound, there are times when some consider moving in search of a slower pace of life, a more tax-friendly state, or to be closer to their children. One of the very first questions that come up in our discovery discussions with Bay Area investors is "Can I afford to retire in California?" or "What steps should I take to make sure my kids have the option of living in the Bay Area should they choose to?" Summitry advisors routinely help clients model the choices they are considering to make an informed decision – whether it be about buying or selling a home, moving out of state, investing in real estate, or making a job, career, or lifestyle change.

A Live, Accessible Plan

Let's say you've established your goals, identified your risk tolerance, and aligned your investment strategy with your advisor. Now what? The one thing we know for sure is that life will change, and you'll be confronted by the unexpected.

Life keeps evolving and naturally so might your aspirations and priorities. Having direct access to your plan and the ability to push and pull the levers accordingly is also important to the savvy Bay Area investor. At Summitry, we provide a secure online platform where you'll work with your advisory team to input your financial objectives, link your accounts, and capture relevant asset information such as home values. Here, you can see in real time how your retirement spending will be affected by goal setting, by adjusting your retirement age (upward or downward), by including anticipated large purchases like cars or vacation homes, and more. Your plan is always at your fingertips, and always adaptable to your current life circumstances.

For many of our clients, investments are spread across more than one custodian. That's why we've partnered with Tamarac, to provide you real time access to a secure, consolidated view of all of your investments (even those not yet under Summitry management).



Why Summitry

At Summitry, we offer personalized financial planning and expert investment strategies, rooted in local insight. From growing and managing your financial assets to preserving and passing them on to the next generation, our team at Summitry is here to provide guidance and strategies to help you live your best Bay Area life – today and into your future.

Take the first step by contacting us today.

CONTACT US

919 E Hillsdale Blvd. Suite 150, Foster City, CA 94404
p. 650.212.2240 | f. 650.212.2249
hello@summitry.com | www.summitry.com