

Case Study: Stock Options and Tax

Maggie was a highly compensated executive in a public company. She was pulled in a thousand different directions because her life was her work, and that's the way she liked it. She made a name for herself as the face of international business deals, and had spent more time sleeping on an airplane in the last 3 years than in her own bed. Maggie was often highlighted on 40 under 40 lists, and was recruited by companies- private and public- constantly.

Maggie had been granted employee stock options each year for the last nine years she spent in her current position. Some were incentive stock options (ISOs) and some were non-qualified stock options (NQs). Maggie's company had been generous with ISOs in the early years and there was a considerable gain of over 300%. The stock price had appreciated considerably over time, and the first tranche of options were about to expire.



With an expiration looming, the large group of options all needed to be exercised in one year. This led to an alternative minimum tax problem. Maggie would be paying the taxes in the year of exercise, and further, had to sell some of the options exercised before the 12 month holding, which would not qualify for long-term capital gains treatment.

Maggie was known to be on top of her game at work, but preferred her personal finance management to be outsourced. She reached out to White Oaks for help. Since she had delayed planning, it was too late to mitigate the damage caused by the untimely exercise of the granted options. We developed a strategy to recapture the alternative minimum tax later on, and an exercise plan was developed to minimize the impact of the alternative tax in future years, maximizing the amount of capital conserved for long-term financial security.

Each year, Maggie meets with our firm to develop a current strategy for the remains stock options to be exercised. She is able to maximize the amount of capital gain through employee stock option grants at minimal costs. This increased capital adds to Maggie's financial security and knowing she has a good plan in place takes one thing off her plate.