# Morgan Stanley

PRIVATE WEALTH MANAGEMENT

# Monetization Planning for Owners of Privately Held Businesses

Monetizing a privately held company requires seamless coordination of your personal wealth management and business monetization strategies. At Morgan Stanley Private Wealth Management, your Private Wealth Advisors can assist you at each stage of the process, highlighting key decisions, deadlines and milestones. They will work with your legal, tax and other advisors to help you increase value, reduce tax liabilities and integrate the proceeds of your sale into a comprehensive wealth management strategy.

### CONSIDERATIONS AND RESOURCES AT EACH STAGE OF THE MONETIZATION PROCESS

Assembling an Advisory Team

#### CONSIDERATIONS

Identify and retain a highly qualified, multidisciplinary team of professionals to help guide you through the monetization process and beyond. Your core team should include:

- An experienced Private Wealth Advisor to help you make timely and well-informed decisions in the context of your goals.
- An Attorney with experience handling transactions similar to yours.
- An Estate Attorney who specialized in working with ultra high net worth clients.
- A CPA with sophisticated capabilities in valuation tax, and financial reporting.

### **RESOURCES**

- PWA Professional Network
- Goals-Based Financial Planning
- Estate Planning Strategies Group

Evaluating Readiness

#### CONSIDERATIONS

Create a goals-based financial plan to determine the income you will need to support your lifestyle.

Have a formal valuation of your business conducted and determine whether after-tax proceeds can meet post-sale income needs.

Examine your current estate plan, estimated estate tax exposure, and flow of funds details to identify planning opportunities.

Consider you personal readiness and how you will reallocate your time and energies.

# **RESOURCES**

- Goals-Based Financial Planning
- Estate Planning Strategies Group
- Trust Services
- Family Governance and Wealth Education
- Philanthropy Management

# Pre-Monetization Preparation

#### **CONSIDERATIONS**

Examine different monetization paths and develop a plan for managing post-transaction liquidity.

Create and/or update basic estate documents.

Explore strategies to mitigate gift and estate taxes.

Work with your CPA firm to convert your financials to GAAP and have a quality of earnings report prepared.

## **RESOURCES**

- Estate Planning Strategies Group
- Estate Freeze Transactions
- Charitable Remainder Trusts
- Insurance Planning
- Family Governance and Wealth Education
- Philanthropy Management

# Transaction Execution

#### **CONSIDERATIONS**

Identify and retain an investment banker or transaction expert who specializes in the monetization strategy you have chosen to help solicit and evaluate offers.

Take advantage of pre-liquidity strategies and techniques to reduce personal taxes, transfer wealth to family, and fund philanthropic goals.

### RESOURCES

- Strategic Client Management
- Middle-Market Investment Banks
- ESOP Group
- Estate Planning Strategies Group

# Post-Liquidity Planning

#### **CONSIDERATIONS**

Implement a customized wealth management plan that encompasses investment strategy, liability management and multigenerational legacy considerations.

## **RESOURCES**

- Investment Management
- Securities-Based Lending
- Tailored Lending
- Home Loans
- Family Governance and Wealth Education
- Philanthropy Management

## PLANNING YOUR MONETIZING STRATEGY

## SALE TO AN EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

- Sell some/all business to employees over period of time via loan. Rewards employees with beneficial interest in the company
- Management team remains in place
- Principal, interest and dividends are tax deductible
- ESOP share of corporate income is not taxable

## SALE TO STRATEGIC ACQUIRER

- Objective is to provide you with immediate and full liquidity
- Aim to identify well-capitalized buyers willing to fund growth and who seek market entry or market share, new technology or other competitive advantage through an acquisition
- Earn-out may bridge valuation gap and growth prospects

#### IPO

- Objective is to raise capital and generate liquidity
- You can leverage the expertise of Morgan Stanley's¹ experienced Investment Banking team to evaluate the IPO market, in order to structure an offering that would benefit you, your employees and your investors

Exit Strategy

#### **ECAPITALIZATION**

- Shareholders retain ownership structure and leverage the business to payout a dividend
- Provides liquidity along with potential for upside appreciation
- No change in ownership levels or dilution of existing shareholders
- Leverage reduces the cost of capital

# SALE TO PRIVATE EQUITY INVESTOR

- Objective is a profitable exit strategy (IPO, LBO, future sale)
- Buyer's objective is typically purely financial, seeking a high rate of return
- Would likely require on- going and active participation by management
- Transaction is often highly leveraged

#### **COMPREHENSIVE CAPABILITIES**

## Investment Management

- Assistance With your Investment Policy Statement
- Asset Allocation
- Portfolio Construction and Management
- Open Architecture Platform
- Exclusive Co-investment Opportunities
- Money Manager Due Diligence Analysis
- Alternative Investments
- Structured Investments
- Tax Management Strategies
- Advisory Platform
- Emerging Market Managers
- Global Sustainable Finance/Impact Investing

## Family Office Services

- Family Governance and Wealth Education
- Philanthropy Management
- Signature Access Lifestyle Advisory Services<sup>2</sup>
- Educational Programs
- Family Office Consultive Services

## Trust, Estate and Legacy Planning

- Wealth Transfer and Trust Strategies
- Current Will. Trust and Insurance Review<sup>3</sup>
- Foundation and Other Charitable Giving Strategies
- Coordination With Outside Legal and Tax Advisors
- A Robust Donor-Advised Fund ("Morgan Stanley GIFT")

# Financial Planning and Goal Analysis

- Goals-Based Planning (Retirement, Education Funding, Philanthropic, Wealth Transfer)
- Cash Flow Planning

## Online, E-Delivery and Mobile

Integrated suite of tools and apps designed to enhance the Private Wealth Advisor-Client relationship. including:

- Dynamic Insights Into Portfolio Data
- Latest News
- Robust Market Research Tools

# Access to Cash Management, and Lending **Products and Services**

- Securities Based Lending
- Residential Mortgage Lending
- Tailored Lending
- Cash Management Services
- Home Loans and Cash Plus

## Corporate Equity Solutions

- Directed Shares, Stock Plans, 10b5-1 Programs
- Cash Management Services
- Retirement and Pension Plans

## Risk Management

- Hedging Strategies
- Concentrated/Restricted Stock Advice
- Interest Rate Risk Management
- Currency Exposure Strategies
- Insurance Solutions

## ADDITIONAL FIRM CAPABILITIES

A globally respected financial services leader with an 85-year history, our firm has the vast resources and intellectual capital to support the growth of your enterprise without limits.

- Global Research
- Sales and Trading—Equity/Fixed Income
- Morgan Stanley Investment Management/Eaton Vance
- Morgan Stanley Institute for Sustainable Investing
- Multicultural Innovation Lab
- Morgan Stanley Institute for Inclusion

### **MORGAN STANLEY AT WORK**

- Comprehensive suite of workplace financial solutions, including:
- Financial Wellness
- Retirement
- Global Equity Plan Management Solution (Shareworks by Morgan Stanley)

## THE STEPHENS GROUP AT MORGAN STANLEY PRIVATE WEALTH MANAGEMENT



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#### REFERENCES

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- leveraging, short selling or other speculative practices
- Lack of liquidity in that there may be no secondary market for the fund and none is expected to develop
- Volatility of returns
- Restrictions on transferring interests
- Loss of all or a substantial portion of the investment due to
  Potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor
  - Absence of information regarding valuations and pricing Complex tax structures and delays in tax reporting
  - Less regulation and higher fees than mutual funds
  - Manager risk

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