



Family Wealth Institute

Liquidity Planning After the Deal

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Be careful what you wish for ...

Are you prepared for the event you have been working so hard for?

- Sale of the office development project;
- The extraordinary contingency fee award;
- The cash payout from the initial public offering;
- Your share of the cash payment from the private equity firm's investment in your company.

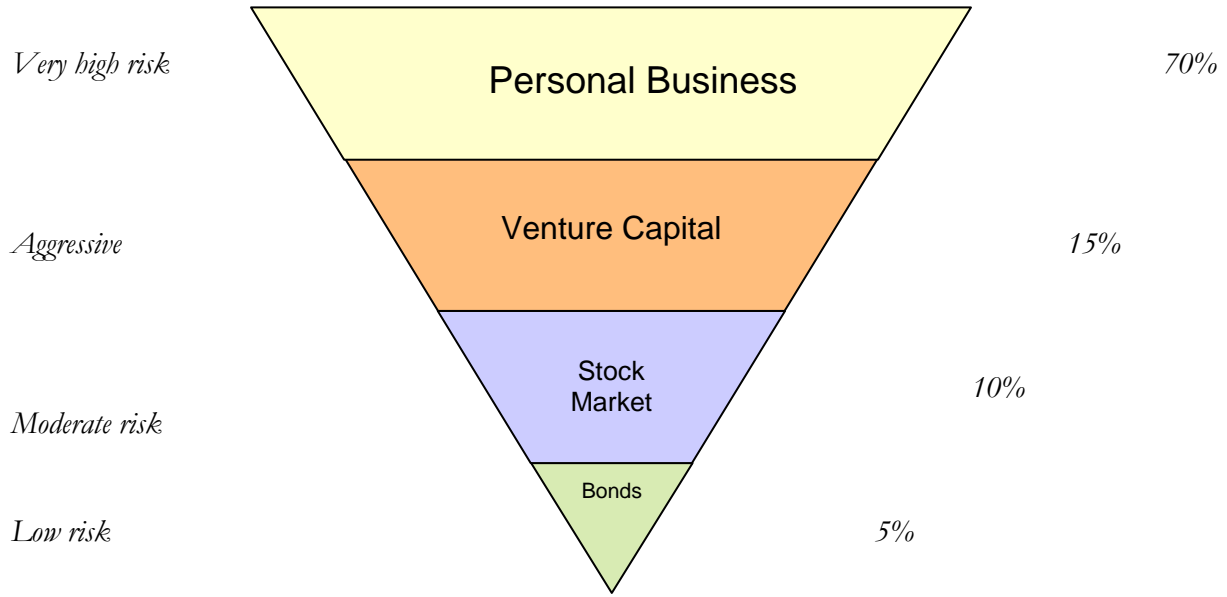
Each of these events creates significant liquidity, maybe for the first time. Of course, there are many other ways you might experience this phenomenon, from sudden inheritance, divorce, or even the lottery.

Liquidity creates opportunities. Opportunities require choice. Choice causes stress.

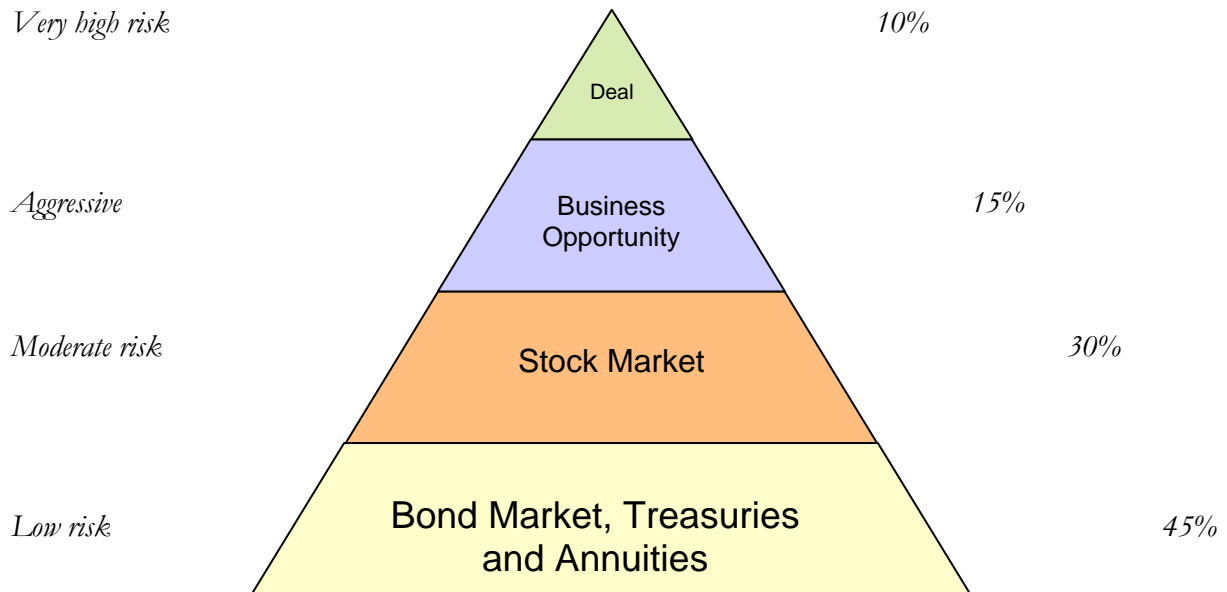
- How much cash should you “take off the table” to protect against future exposure and risk?
- How much can you use just for fun and toys and extravagance?
- How much does your spouse think is needed for the bigger house or the much anticipated vacation property?
- How much must you keep available for the immediate or potential needs of your children or grandchildren?
- How much do you want to put back into the “old game” or maybe even a “new game”?

These and other questions can create enormous uncertainty. The following graphics provide a typical picture of the entrepreneur's financial life cycle

Here is a classic asset allocation of an entrepreneur *while building the business*



Here is our entrepreneur *after the big liquidity event*





When the big liquidity event happens for you, you might want to pull out this worksheet and give it some thought. It may help you allocate your resources to meet your financial, family, and fun objectives.

What percentage of the liquidity do you want to set aside?

Financial Objectives	Family Objectives	Fun Objectives
As a safety net? Your security blanket?	To fund your children's or grandchildren's education?	For the plane or boat you have been dreaming about?
To provide cash flow for you and your family, i.e., automatic income you don't have to worry about?	To buy or enhance your home or vacation property?	For the year-long trip around the world?
To provide you some diversification and growth for the future?	To give back to your community through your personal charity or family foundation?	For some personal toys that you want just because?
To give you the "deal money" you need to go into the next venture?	To move down to your children to launch them in their careers?	For that extravagant gift to your spouse just because?

We cannot give you the ideal blueprint for this phase of your life, but we can offer some concepts for you to think about.

- First, if you can, plan before the event occurs. The pressure is less and the time you spend will be well worth it. If you have not done so, take a deep breath. *Do not do anything in haste!*
- Set some personal targets and goals for yourself. You are more likely to get where you want to go if you know where that is.
- Your financial success makes it both timely and compelling for you to revisit your estate planning. This is an opportunity to consider how your wealth can help your children not hurt them, motivate them not de-motivate them; reward them for hard work and personal achievement and not for indolence and dependency. Remember, too much; too soon, can throw your child off track before you know it.
- Your success does not guarantee success for your children. Be sure that they have the financial and life skills that each will need to achieve their personal potential.
- Your success in business was likely due, in part, to the talent of those in your company and those who helped to guide you. Be sure you gather talented, experienced, and dedicated advisors around you to help in this new phase of your life.

Enjoy your success. You earned it.



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At the First Foundation Inc., we are concerned not just with the tax and economic consequences of wealth planning, but with the impact of that planning on the lives of those for whom the wealth was intended to benefit. Our planners, investment advisors, bankers, and trust officers see the results of both effective and ineffective planning. We are pleased to offer you our insight, experience, and perspective.

To contact the authors, please call the toll free number at 866-833-1112.

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