

Concentrated Stock Strategies

For many investors, a single stock investment may represent a substantial value in their investment portfolios.

This investment may be from:

- Employee stock options,
- Stock from exercised employee stock options,
- Stock from an inheritance or
- A successful investment strategy in the past.

We can guide you by conducting a review of your long-term risk and return objectives. Then if appropriate, we can conduct a thorough review of the benefits and costs of different solutions.

A knowledgeable approach to concentrated stock exit strategies relies on a powerful blend of planning, quantitative, trading and derivatives expertise. A road map is required that details the optimal plan for achieving your goals, both in diversifying single-stock positions and in planning for your ongoing wealth management as needed.

PLANNING AND IMPLEMENTATION

Analyzing the risk and tax consequences enables us to visually explain and compare strategies. A clear, objective presentation of all possible diversification techniques puts you in control.

MAXIMIZING VALUE

A highly concentrated equity position, often acquired at an extremely low cost basis, can serve as a cornerstone of your financial security. But you must develop a strategy to maximize its value and minimize its risk. The factors to consider include:

- *Liquidity*: How can a concentrated position be monetized most efficiently?

- *Taxes*: Are there prudent alternatives available to minimize or defer the tax consequences of enjoying your hard-earned rewards?
- *Risk*: How should you gauge and manage the risk inherent in a concentrated position?

THE PROCESS

You begin with an analysis of your situation. No two transactions are the same; one must spend considerable time understanding the key issues that define the parameters of your exit strategy. Assessing such questions as:

- Are you classified as an insider after the event and subject to restrictions?
- Are there any political issues within the firm or among shareholders as you diversify?
- Do you have a need for short-term liquidity?
- How much risk are you comfortable assuming during the diversification process?
- What are your wealth management objectives following diversification?

UNDERSTANDING AND MANAGING YOUR RISK

- What is your opinion on the near-term prospects for the stock, as well as those of our own analysts?
- What is the relative size of your holding to your total assets?

Quantifying the cost and risk associated with an existing concentrated low-basis stock position compared with a diversified portfolio is the first step in any analysis. The next step involves your current tax situation and considers the tax implications of diversification.



RBC Wealth Management®

Concentrated Stock Strategies, continued

DIVERSIFICATION STRATEGIES

We can review a variety of techniques to diversify the position in the most efficient way, including the following:

- Loan Diversification Strategy,
- Pre-Paid Forward Contracts,
- Exchange Funds or
- Employee Stock Option Exercise Strategy.

LIQUIDITY PROGRAMS

Find ways to increase accessibility of wealth with or without an actual sale, including the following:

- Loans,
- Pre-Paid Forward Contracts or
- Liquidation Strategy.

HEDGING AND ASSET STRATEGIES

Utilize simple or complex instruments or opportunities, such as:

- Equity Collar,
- Pre-paid Forward Contracts,
- Protective Puts or
- Covered Calls.

WEALTH TRANSFER STRATEGIES

Consider vehicles in wealth transfer that benefit you and your designated beneficiary, including the following:

- Gifting Strategies,
- Planned Giving,
- Charitable Foundation or
- Charitable Remainder Trust.

Contact your Financial Advisor to discuss concentrated stock strategies that are right for you.

Options are not suitable for all investors. Prior to buying or selling an exchange traded option, a person must be provided with, and review, a copy of CHARACTERISTICS AND RISKS OF STANDARDIZED OPTIONS. A copy of this document may be obtained from the RBC Wealth Management Compliance Department, 60 South Sixth Street, Minneapolis, MN 55402, phone (612) 371-2964.

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