

Chapter 5

“Stock Options; Strategies for Corporate Employees”

Course Description: Enormous challenges for the practitioner on how to deal with the \$800 million “stealth wealth” tax problems in the estate planning process. The students will learn stock option fundamentals, definitions, tax strategies, and cash flow - strategies.

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Course Syllabus: Recommended Study Time = 4 Hours

Hour 1: Introduction and Course Outline

Employee Stock Options: Fundamentals

- Options are Big Money
- Option Reality vs. Perception
- Options In The Money
- Stock Option Concepts

Basic Stock Option Definitions

Stock Option Leverage

- High Leverage Situations
- Diminishing Leverage Situations
- Comparisons of Both

Hour 2: Non-Qualified Stock Options (NQSOs)

- General Characteristics
- Tax Consequences
- Additional Applicable Rules

Incentive Stock Options (ISOs)

- Special Types of Option Grant
- Elements to Qualify
- Tax Consequences
- Additional Applicable Rules

Comparative Tax Consequences

- NQSOs vs. ISOs
- Alternative Minimum Tax Consequences

Hour 3: Disqualifying Dispositions

- Applicable Circumstances of Definition
- Tax Consequences
- ISOs and Disqualifying Dispositions

Restricted Stock Option Plans

- Compensation Income Considerations
- Tax Consequences

83b Election Consequences
Timetable of Declaration
Tax Code Rules and Restrictions

Cash Flow-Strategies
Types of Strategies Overview
Exercise and/or Sell Factors

Hour 4: Cash Flow Strategies - Continued
Buy and Hold Factors
Sell-to-Cover Factors
Cashless Transaction Factors
Stock Swap Factors

Alternative Minimum Tax Strategies
Exercising ISOs in First Quarter
Exercising ISOs in Fourth Quarter
Selling Mature ISO Shares

Diversification and Hedging Strategies
Deferred Compensation
Puts, Calls, and Collars
Variable Forward Contracts
Dollar Cost Averaging
Exchange Funds

All Inclusive Case Study

Course Review and Summary