



WHITEPAPER SERIES

Ultra-High-Net-Worth Investors: Preparing for What's Ahead

*Consider the future and how to make your
wealth work on your behalf*

Strategic Planning

Nearing an Exit: Questions to Ask
Yourself and Others



Introduction

In our wealth advisory practice, we work mainly with individuals and families who are first-generation wealth creators. Substantial wealth typically arises from a singular, concentrated focus. Our clients' financial successes have followed from an intense dedication to an enterprise or career, resulting in exceptional outcomes. We address this paper to those considering the future and how to make your wealth work on your behalf.

As our new clients think of their next chapter, whether that thinking is triggered by an outright or gradual sale of their business or a shift away from their singular focus (what we refer to broadly as an "Exit"), they often face new challenges. Wealth – its application and preservation – gives rise to what, for them, is a novel set of issues. For us at Bitterroot Capital Advisors, this awareness guides our early conversations with a new or prospective client. We begin by listening, asking questions and listening some more.

For those beginning to think about life following an Exit, this paper outlines some questions we might ask you. We always attempt to adopt our clients' mindsets and internalize their perspectives. We hope these questions may help stimulate your thinking about what you would like to accomplish.

The questions range from the sublime – family and philanthropic goals – to the more mundane – investment, administrative and tax matters. As you revisit your life goals and how to enjoy this new undertaking, you are likely to identify as early priorities the type of team you need and how you engage with them. So, while some of these questions are for you, others may be more suited to the various advisors with whom you look to work.

We have extensive experience with these topics, so if you are in this situation, we would be pleased to discuss them with you.



Questions to Ask Yourself

High-Level Goals

How do I want to use my wealth – for what purpose?

Over what period? Now or later - during my lifetime or for future generations?

What are my ongoing cash needs to support my baseline lifestyle and other regular outlays? Do I expect other major expenditures or investments (size and timing)? Will they be in my home or another currency?

What are my philanthropic aspirations – areas of interest, impact goals? Are these local or global? How do I maximize my impact? How do I size and pace my giving?

What do I want to leave to my children or other family members? How do I communicate that to them to set healthy expectations?

Do I have investment performance targets?

Either as a rate of return (e.g., X% real, inflation-adjusted, after-tax), relative to some benchmark, or alternatively in absolute dollar terms (perhaps to support cash distributions for lifestyle or charity of \$Y/yr.)? Is preserving my portfolio value also a goal?

Where might my investment objectives interact with my other goals and interests?

For example, philanthropic or simply personal enjoyment. Can I rank those priorities?

How should I think about “risk”?

How comfortable am I with risk as I pursue those goals? How can I balance risk and potential (but uncertain) returns?



How comfortable am I with illiquidity – the inability to sell something over some time frame?

What about illiquidity in some portions of my portfolio if part of a well-thought-out forward-looking plan? How much should I be paid for accepting illiquidity? On the other hand, what am I willing to forgo for the flexibility to change my mind and exit positions?

Methods & Execution

How broad are my needs?

Am I seeking holistic solutions that address investment, income tax, estate planning, bookkeeping, and concierge services – or just some aspects of this?

As I assemble a team to solve problems and deliver results, what is the optimal way to fill the various roles required?

What about in-house staff, full- or part-time? Would I be better served by third-party, outside advisors?

How will I engage with my team?

Do I want to be the quarterback that coordinates this work, or should the rest of the collective team do so? For example, do I set policies, let the team develop and execute plans, and regularly report progress? Or will I personally organize and direct a team of functional experts, etc., or approach it in some other way?

How much time am I willing to commit to those endeavors?



Family Considerations

How, and to what degree, do I involve my children or other key family members in decisions relating to my investment activities and/or in philanthropic endeavors?

How do I educate them about wealth and the management and stewardship of wealth?

Is there anything I don't want my children to know about my wealth or investment activities?

Do I want to give assets to my children sooner rather than later?

Are they ready? And if so, what else should I consider?

What is the most tax efficient way to do so?



Questions to Ask Your Advisors

Investments Teams

Considering my personal goals, how do I derive the most benefit from my capital?

Investment (vs. personal) cash flows: How should they relate?

How do I match my portfolio (and investment commitments) with available cash to always ensure the ability to support my investment and personal needs?

Again, what about the risk of things not going according to plan?

(They rarely do.)

If I want to make entrepreneurial, direct investments, how do I size and ring-fence these activities?

How might I measure their performance?

What about private (not publicly quoted) fund investments?

How can I track commitments and manage these investments as part of a holistic plan?
How might I access and evaluate them?

From a larger perspective, how should I get started deploying new capital?

Considering market conditions today and as they unfold, how should I proceed?

If I continue to hold concentrated positions (including my foundational sources of wealth), how might they be considered in shaping and evaluating my overall portfolio?

Are they likely to be material and if so, for how long?



How do I feel about reducing my taxes?

We all pay necessary taxes under the law, but to what extent do I seek to minimize taxes, considering direct costs, inconvenience, and perhaps uncertainty?

Considering all the above, what should a forward-looking, comprehensive investment plan that aligns with and supports my goals look like?

How can all of this be simplified to avoid unnecessary complications?

Legal Team

Can legal structures/entities help further my goals?

What if I were reconsidering my location, residency or citizenship?

Protection from liabilities?

What about conveying property to my children?

If so, what is optimal? How might trusts help?

Should I use legal entities (vs. personal ownership) to make investments?

Can these offer administrative convenience for investing, liability protection, or estate planning benefits?

What approaches might facilitate my philanthropic activities?

Would a foundation help me sustain them? Can such a step be taken later without sacrificing whatever benefits a foundation might offer?

How do I feel about the trade-off between these benefits and costs and increased complexity?

How can I simplify my life and reduce the costs of my financial, investment and legal affairs - while still pursuing my goals/objectives?



Considering the types of investments I am likely to make and legal structures I am likely to employ, where do I hold these investments?

How many (and what type of) custodial relationships do I need and which custodians provide the best value?

Summary

Every person is unique. We pose the above questions to help draw out intent and attitudes about various issues that will rightly vary across individuals. In our experience, however, we do observe some common considerations and needs related to significant wealth and its sound management.

We at BCA are not experts capable of addressing every question raised here – we aren't attorneys or tax accountants. However, when working with you and a well-coordinated team of experts in other disciplines, we can develop the answers and produce the results you may be seeking. In all cases, we urge you to make a plan, to the greatest extent possible, for your wealth to work for you – and not reorder your life to opposite effect.

Continue reading *Ultra-High-Net-Worth Investors: Preparing for What's Ahead*

STRATEGIC PLANNING

Typical Needs of Wealthy Investors

While each individual and family has a unique mix of goals and requirements, they frequently share a need for planning and investment expertise and resources, and other support. Forward-looking, wise management is the most commonly needed ingredient.



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FAMILY OFFICE

How to Create, Organize & Coordinate the Ecosystem

Understand the key functions of Family Offices: which aspects are best suited to highly qualified third-party providers and which to dedicated staff. Some ways to think critically about directing and coordinating a family office network.



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