Twitter Thread by Shahed Khan



Shahed Khan
@_shahedk

THREAD:

Wealth tips for founders & early employees...

- **Secondaries**
- **Tax benefits**
- **Hiring a CPA / Financial Advisor**
- **Diversifying**
- **Tools I use**
- **and more...**

Create a plan for your options early:

Think of this as investing in your company. If your company fails, your options will be worthless.

If your company does well, exercising too late will be costly.

Secondaries:

Secondary transactions typically first occur at the Series B [although if your numbers are up and to the right & there's demand for allocation -- it can happen at the A].

Take a small % off the table to de-risk yourself financially (rent, food, transportation, etc)

Existing investors will often offer to purchase your secondaries.

This way it keeps your cap table clean and gives your investor slightly more allocation.

Look over your ROFR/Co-sale agreements and chat with your co-founders and/or investors.

If you're selling stock to an existing or new investor during a financing, a "discount" is usually applied.

Make sure you negotiate the discount on the Preferred share price and not Common.

5-20% is considered normal.

Class FF Preferred stock:

FF Preferred Stock is essentially common stock with a twist that allows it to be converted to preferred stock.

If you're currently incorporating, talk to your counsel about this.

This will save you time & energy when selling secondaries.

Tax Benefits:

Secondary transactions usually result in a big tax event (short/long term cap gains, etc).

Reach out to a CPA that specializes in this.

If you're in the middle of a secondary sale, DM me and I'll be happy to connect you with mine.

QSBS:

When selling qualified stock, you can exclude gains of up to $10 million in federal (and sometimes state) tax.

A few requirements to qualify:
• C Corporation
• Total gross assets are < $50 million at time of incorporation
• Have held onto the stock for at least 5 years

State income tax:

FL, NV, TX, WA, and others don't impose an income tax.

Depending on your transaction size, this can be a sizable amount of savings.

But don't move solely for the purpose of saving on taxes.

Live where you enjoy waking up each morning.

Roth / Self-directed IRA:

Contribute the maximum amount annually ($6-7k).

The gains from this account will be tax free when you retire.

Self-directed IRAs are useful as they give you more flexibility in choosing your investments.

Opportunity Zones:

This is a tax incentive to encourage those with capital gains to invest in low-income communities.

There are 3 benefits...

(1) Investment held for 5 yrs → 10% tax reduction; 7 years → 15%

(2) Tax on reinvested cap gains in an OZ fund held for 10 years is permanently forgiven

(3) Reinvested cap gains are deferred until the OZ fund is disposed or Dec 31, 2026

Hiring a CPA:

Reach out to your immediate network & ask who they use.

Interview a ton of people.

I *highly* recommend hiring someone who has direct experience in handling founder/employee liquidity (vs a generalist CPA).

It'll save you money & headaches in the future.

Hiring a Financial Advisor:

Lean on your network and investors for intros.

Don't be afraid to fire your advisor if they aren't producing results.

Fees can have a wide range based on your total AUM.

~1% is typical, but fees add up overtime.

Diversify:

"Concentration is how you get rich, diversification is how you stay rich"

Invest in asset classes based on your risk level, but don't invest in a million different things:

- Commodity futures
- Crypto lending
- Collectibles
- Real Estate
- Volatility
- Lending

Tools I use:

- Kubera: Portfolio tracker
- Interactive Brokers: Brokerage Acct / Margin line
- Robinhood: Stocks & Crypto portfolio
- Notion: Deal Memos
- AngelList: SPV, Fund, and Angel Investing
- Reddit: /r/fatfire for others stories

Tools I've heard great things about, but do not currently use:

- Personal Capital
- Compound
- Wealthfront
- M1 Finance

If you have questions or want to talk through a transaction you're exploring, feel free to DM me.