Concentration Conversations: Celebrate. Ask. Remind.

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Let's talk about concentrations. You all likely have a story about a client who was adamantly opposed to diversifying a significant concentrated position. Here's one that comes to mind for me. A CFO of a public company had several forms of employer stock and wasn't willing to sell until the stock hit a specific price target. She and her husband were focused on their plan to retire in three years. This plan largely hinged on the performance of her company's stock. They saw the concentrated position as a safety net rather than a risk. Sound familiar?

Here's a framework to drive the conversation forward. Celebrate. Ask. Remind.

First, celebrate their success. This concentrated position may very well be the reason for their wealth. Second, ask. Are you open to discussing how the holding fits into your overall financial plan? Third, remind them. Not all shares of employer stock are created equal, especially from a tax perspective.

Reflecting back on the highly concentrated CFO and her husband, this framework would likely have driven a more successful outcome.

Celebrate. Ask. Remind.

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