IPOs and Charitable Clients: Three Scenarios for Impact

If you keep an eye on initial public offerings, it's been an exciting few weeks, especially if your clients are involved. As you work with clients who may hold stock that's going public, or if your clients are considering investing in companies involved in IPOs, be sure to look at all angles of the client's financial and estate plan that may be impacted—including charitable planning.

Indeed, recent headlines are a reminder that initial public offerings can create significant charitable planning opportunities. For example, CNBC's article on SpaceX millionaires and wealth management, *The Wall Street Journal*'s "Tech's Next IPO Wave Promises a Charitable Windfall," and *Business Insider*'s coverage of newly wealthy SpaceX employees all point to the same theme: Liquidity events can quickly turn founders, executives, early employees, and investors into high-net-worth charitable clients.

Of course, for attorneys, CPAs, and financial advisors, the key is to bring up the topic of charitable planning as early as possible—ideally before shares are sold and before clients make irrevocable tax, investment, or estate planning decisions.

You may be curious about how IPOs and charitable planning might come together for your clients and how the Chester County Community Foundation can help! Consider three scenarios for inspiration:

Scenario 1: Founder or executive with highly appreciated stock

A founder or executive approaching an IPO may be holding shares with very low basis and significant expected appreciation. Depending on timing, restrictions, and tax rules, contributing a portion of appreciated shares to a fund at the Chester County Community Foundation may help your client support charitable goals while potentially reducing exposure to capital gains tax. A donor-advised fund, field-of-interest fund, or designated fund, for example, can allow the client to create a long-term charitable strategy while maintaining flexibility after the IPO dust settles.

Scenario 2: Employee with a sudden wealth event

As recent SpaceX coverage illustrates, IPOs can create thousands of newly wealthy employees who may never have needed sophisticated charitable planning before. These clients may be juggling concentrated stock positions, tax liabilities, estate planning needs, and family conversations about wealth. A donor-advised fund at the Community Foundation can provide a simple, organized way to set aside charitable dollars in a high-income year and then recommend grants over time as the client becomes more intentional about giving. This strategy is called "bunching."

Scenario 3: Investor or family seeking legacy and multigenerational community impact

Some clients who benefit from IPO activity may already have significant wealth and want to use the liquidity event to formalize a philanthropic legacy. These clients may be good candidates for multiple charitable funds, such as a donor-advised fund for flexible family grantmaking, a scholarship fund to support education, and an unrestricted or field-of-interest fund to address changing community needs over time. The Community Foundation can work alongside you and your client's full advisory team to align tax planning, family goals, and charitable impact.

Finally, and importantly, what's the common thread across all three scenarios? *Timing*. Once an IPO, sale, or lock-up expiration is underway, some planning options may be limited. Advisors who ask charitable questions and loop in the team at the Community Foundation early can help clients turn a major financial event into meaningful support for the causes they care about.

Please reach out to our team to discuss clients' charitable opportunities related to IPOs, appreciated stock, business interests, other complex assets—and anything else related to philanthropy. The Chester County Community Foundation is here for you! It is our honor to be your first call on matters of charitable giving.

For more information, contact the Chester County Community Foundation:
Jason Arbacheski, CAP – Gift Planning & Stewardship Director – jason@chescocf.org
Kate Wickersham – President/CEO – kate@chescocf.org