

# MINNEAPOLIS ST. PAUL BUSINESS JOURNAL

February 13, 2009

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Vol. 26, No. 37 \$2.00

18 Ventures

Minneapolis/St. Paul Business Journal | [mspbj.com](http://mspbj.com)

February 13, 2009

## Build wealth with a well-planned equity strategy that fits goals

**Editor's note:** To inquire about submitting a column, contact Managing Editor Mark Reilly at (612) 288-2110 or [mreilly@bizjournals.com](mailto:mreilly@bizjournals.com).

I'd wager a vast majority of 2009 New Year's resolution lists feature a commitment to finances, and no wonder. With doubt and fear looming over our economy, proactively planning your financial path for building wealth is critical. As you assess your financial picture, consider an equity strategy.



**Strategies**

Dan Langworthy

I haven't met anyone — from fund managers to brokers to individual investors — who doesn't want to erase 2008 from their financial annals. No wonder this is a monumentally challenging environment for building wealth in the equity market.

There is tremendous opportunity rising out of the ashes of this economic tragedy for those who use a well-planned equity strategy. When formulating your equity strategy, consider the following three perspectives.

### Growing a closely held business

A business fluctuates based on the profitability and is therefore usually valued annually based on the financial statements. As an

owner, this is only important if you have to sell or want to leave the business for health reasons, retirement, etc. So if your once-profitable business has taken a hit from the recession, it's not necessarily gloom and doom. If you're earning a salary and the business is solvent, hang in there.

Your future turnaround depends on your business' ability to weather the proverbial storm. It may be time to consider enlisting help in determining how you might position your business for a faster turnaround or taking market share from struggling competitors to grow revenue.

### Climbing the corporate ladder

If you're fortunate to have an equity stake in a public company that is well-capitalized and profitable, though not at peak earning performance, congratulations. You have many opportunities to build personal wealth, even if your stock options are currently "under water," i.e. the grant price is above the current stock price.

If you have faith in your management to withstand the negative impact of the current economy and grow profits, you can hold on and wait for a rebound. You can take advantage of some specialized techniques, such as stock-option gifting, to ensure your family's financial future or to begin establishing your legacy. Your company may also offer additional options priced below your current options for those who demonstrate their loyalty and per-

formance. A rise in stock price will reflect your company's comeback, and taking advantage of underwater values can help you leverage future gains.

However, if you doubt your job security, you're probably looking for a position with the kind of company I just described. The options you will leave behind can be used as leverage in negotiating a starting package with your new employer — even if they're underwater. Consider this scenario: Your options were granted at 40, and the current stock price is 30. The stock was trading at 55 last summer. Based on this, the 1,000 options you own could be worth \$15,000 or more when the stock recovers. A prospective employer with a keen interest in you may be willing to fill some or all of that gap.

### Purchasing individual stocks

Many individual investors who saw their equity growth evaporate took their losses and ran. They are compounding their plight by thinking they can jump back in at the market's lowest point. In fact, there's an opportunity now that may vanish as companies emerge from the pall of this recession.

For the long term, buying stock in quality companies with a long history of stable earnings and consistent dividends is usually a sound bet, especially during turbulent times. All investors now have more information to sift through and digest than professional invest-

ment advisers had just five years ago. That's part of the problem. Information doesn't necessarily translate into knowledge without experience, which is why having an adviser is a real advantage.

If the \$30,000 car you had your eye on last summer were now available for \$18,000, you'd think it was a steal. That's essentially what's happened with the stock market. On average, stocks are for sale at 40 percent less than six months ago. Would you rather invest in a car that will depreciate or a stock that is likely to appreciate?

In closing, I'll leave you with "concentration builds wealth ... diversification protects it." In other words, let your goals for your stage of life and circumstances help you forge an appropriate equity strategy. Just make sure you align yourself with an experienced adviser that specializes in the type of equity strategy you pursue.

**Dan Langworthy** is principal and founder of Executive Capital. Reach him at (952) 886-7233 or [danl@executivecapitalmn.com](mailto:danl@executivecapitalmn.com)