26 U.S. Code §280G – Golden Parachute Payments

280G – Golden Parachute Payments

A parachute payment generally means any payment in the nature of compensation to a “disqualified individual” if such payment is contingent on a change of control[1]. Golden Parachute payments that exceed a “safe harbor” amount may come with significant tax consequences. Golden parachute payments typically include severance payments, deal bonuses, accelerated vesting and payment of equity awards, and other payments. The “safe harbor” limit will determine if you will be impacted by the Golden Parachute guidelines. This is equal to three hundred percent of your base pay calculated as the average gross compensation over the last 5 years. Any payments you receive over and above the “safe harbor” limit may impose a 20% excise tax[2].

If a taxpayer can establish through “clear and convincing evidence” that a payment is “reasonable compensation” that amount may be excluded from tax calculations[3]. There may be other items that could serve to reduce potential 280G taxes including, the value of an individual’s non-compete agreement, consulting agreements, and retention bonuses among others[2]. The rules pertaining to 26 U.S. Code §280G can be complicated and confusing. If you are an executive or business owner subject to these rules given an upcoming change in control of your company reach out to learn more. There are planning initiatives that may be taken to potentially reduce tax liability. Time is of the essence.

Paul Litchfield Biography

Summary

- Paul has over a decade of experience working with clients across the United States. His unique skill set allows him to add value in areas most advisors cannot.

Why Paul?

- 24/7 White Glove Service
- Direct access. You don’t get passed off.

- Youthful – Most advisors are in their 60's, thinking about their own retirement, not yours.
- Prevents you from experiencing problems in the first place, instead of after they occur.

Paul Litchfield is a fiduciary Wealth Advisor and Financial Planner. A fiduciary is a person who holds a legal or ethical relationship of trust with one or more other parties. Typically, a fiduciary prudently takes care of money or other assets for another person. Paul puts clients' interests first and is passionate about helping his clients meet all their financial needs through comprehensive planning. Paul was named a 2020 Five Star Wealth Manager* and was also named to the 2020 Top 100 People in Finance Magazine*.

Paul teamed up with Claro Advisors in 2018 to provide his clients with a deep bench of resources. Prior to joining Claro, Paul managed successful investment practices as a Vice President at another boutique investment firm and Morgan Stanley. Before transitioning to investment management, he worked for a public accounting firm in Boston as a CPA. Paul serves on the Board of Directors for The Massachusetts Society for the Prevention of Cruelty to Children and The Miss Massachusetts Organization, a subsidiary of the Miss America Organization. He is the founder of AdVenture International, a 501(c)(3) non-profit that he created after spending a summer teaching math and English in Africa.

Paul received a Bachelor's degree in both accounting and finance from The University of Massachusetts at Lowell and graduated Summa Cum Laude as a Commonwealth Honors Scholar. He holds a Master of Business Administration from The University of Massachusetts at Lowell with high honors. Paul also served on the advisory board at the University of Massachusetts Lowell.

Paul enjoys spending time with his family and supports the following causes: our service men and women, education, and helping mentor future generations. Paul is also a private pilot and enjoys flying airplanes in his spare time.

References

1. https://www.irs.gov/pub/irs-drop/rr-05-39.pdf
2. https://www.alvarezandmarsal.com/sites/default/files/tax_280g_taw_article_03.pdf
3. https://www.law.cornell.edu/uscode/text/26/280G

Let's Have a Conversation

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Financial Advisor

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*See award disclosures on the following page.

Disclosures

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*The Five Star Wealth Manager award, administered by Crescendo Business Services, LLC (dba Five Star Professional), is based on 10 objective criteria. Eligibility criteria – required: 1. Credentialed as a registered investment adviser or a registered investment adviser representative; 2. Actively licensed as a registered investment adviser or as a principal of a registered investment adviser firm for a minimum of 5 years; 3. Favorable regulatory and complaint history review (As defined by Five Star Professional, the wealth manager has not; A. Been subject to a regulatory action that resulted in a license being suspended or revoked, or payment of a fine; B. Had more than a total of three settled or pending complaints filed against them and/or a total of five settled, pending, dismissed or denied complaints with any regulatory authority or Five Star Professional's consumer complaint process. Unfavorable feedback may have been discovered through a check of complaints registered with a regulatory authority or complaints registered through Five Star Professional's consumer complaint process; feedback may not be representative of any one clients' experience; C. Individually contributed to a financial settlement of a customer complaint; D. Filed for personal bankruptcy within the past 11 years; E. Been terminated from a financial services firm within the past 11 years; F. Been convicted of a felony); 4. Fulfilled their firm review based on internal standards; 5. Accepting new clients. Evaluation criteria – considered: 6. One-year client retention rate; 7. Five-year client retention rate; 8. Non-institutional discretionary and/or non-discretionary client assets administered; 9. Number of client households served; 10. Education and professional designations. Wealth managers do not pay a fee to be considered or placed on the final list of Five Star Wealth Managers. Award does not evaluate quality of services provided to clients. Once awarded, wealth managers may purchase additional profile ad space or promotional products. The Five Star award is not indicative of the wealth manager 's future performance. Wealth managers may or may not use discretion in their practice and therefore may not manage their clients' assets. The inclusion of a wealth manager on the Five Star Wealth Manager list should not be construed as an endorsement of the wealth manager by Five Star Professional or this publication. Working with a Five Star Wealth Manager or any wealth manager is no guarantee as to future investment success, nor is there any guarantee that the selected wealth managers will be awarded this accomplishment by Five Star Professional in the future. For more information on the Five Star award and the research/selection methodology, go to fivestarprofessional.com. 3,580 Boston wealth managers were considered for the award; 463 (13% of candidates) were named 2020 Five Star Wealth Managers. 2019: 3,619 considered, 566 winners; 2018: 2,819 considered, 532 winners; 2017: 2,467 considered, 623 winners; 2016: 2,530 considered, 632 winners; 2015: 3,542 considered, 801 winners; 2014: 1,707 considered, 655 winners; 2013: 2,362 considered, 713 winners; 2012: 2,591 considered, 454 winners.

*The Top 100 in Finance award is designated by the Top 100 Magazine. The Top 100 Magazine utilizes proprietary software, which employs an algorithm to search a variety of online resources for industry-specific terms and key words. These resources include social media, blog posts, peer reviews, and Google indices. Once the software has compiled a preliminary list of qualified candidates, the Top 100 Magazine performs a manual analysis to verify top results and make final selection. The selection criteria is based on who are financial advisors or wealth managers, which meets the following criteria: 1. Registered with the SEC as a registered investment adviser or a registered investment adviser representative; 2. Not more than 1 filed complaint and never been convicted of a felony. Once selected, the Top 100 Magazine sends approximately 140 invites for the magazine, where final section is on a first come first serve basis. Those selected for the Top 100 Magazine may purchase additional profile ad space or promotional products, but do not make any initial or additional fees for the award. The Top 100 Magazine selection is not indicative of the wealth manager 's future performance or an endorsement by the magazine. Working with a Top 100 Magazine advisor or wealth manager is no guarantee as to future investment success, nor is there any guarantee that the selected wealth managers will be awarded this accomplishment in the future.