COLTER LEWIS INVESTMENT PARTNERS

Private Wealth Advisory • Multi-Family Office • Greenwich, CT

The Sale Has Closed: An Insider's Guide to Managing the Wealth You Just Created

Founder's Exit Series • Part III of III

Part I of this series addressed what founders should do to prepare their personal balance sheet well before a sale is ever in sight, including building the right estate structures, using QSBS stacking to multiply exclusion capacity, applying valuation discounts, and positioning the broader portfolio for tax efficiency ahead of a transaction. Part II addressed how to run the sale process itself once the decision to sell had been made, from selecting a banker and attorney to closing.

This paper picks up at the moment those first two conversations were always pointed toward. The wire has cleared.

For some founders, this is exhilarating, the tangible culmination of years of risk and work. For others, it is quieter and more complicated than expected, particularly if the business had also become their identity. Either way, the adrenaline of the deal itself is now behind you. What takes its place is a different kind of responsibility: the discipline to build something that lasts with the capital you have just created.

This paper applies whether you remain involved with the business you sold or have walked away entirely and are starting the next chapter. It also applies beyond founders. A family, whether a single founder with no children or an extended multi-generational family, that inherits a concentrated position, an executive whose equity compensation finally vests, or someone who receives a lottery or litigation windfall all face the identical problem. How do you responsibly convert a large, sudden, and often singular pool of capital into a durable, multi-generational asset base? The dollar amounts and the tax mechanics vary. The discipline and process required does not.

Not every sale converts entirely to cash. Many transactions leave the seller holding rollover equity in the newly combined company, whether in private shares or in the stock of a public acquirer, or an earnout tied to future performance. That retained stake can be a valuable second bite at the apple, but it also changes the planning problem in front of you.

The Process at a Glance

This paper follows the sequence below. The order matters, because each step depends on the answer to the one before it.

Step	The Question It Answers	Where It Goes Wrong
I. Define the objective	What is the capital for, and who does it serve?	Treating a sale as an investment problem rather than a planning problem.
II. Structure the proceeds	Where should the money be held? Inside or outside the estate?	Estate planning after the portfolio is built.

Step	The Question It Answers	Where It Goes Wrong
III. Set the North Star	What long-term asset allocation fits the objective?	Defaulting to a standard portfolio which ignores scale, horizon, and retained equity.
IV. Implementation and pacing	How quickly should capital be put to work?	Committing a full private markets allocation in one vintage year to feel fully invested.
V and VI. Govern and revisit	Who decides, and what should trigger a change to the plan?	Revisiting the plan reactively when a headline or a market move prompts it.

I. Before the First Dollar Is Invested: Understanding the Family and What the Capital is For

The most common mistake we see after a liquidity event is treating it primarily as an investment problem. It is not. It is a planning problem first, and an investment problem second. Deploying capital before you understand what the capital is actually going to be used for produces a portfolio that may be well constructed and still wrong for the family that owns it. Planning goes beyond risk tolerance and return objectives, important as those are. We also strive to understand the family's values, meaning what this wealth is meant to enable, what it is not meant to change, and what the family wants it to stand for across generations. A portfolio built only around numbers, without regard for what the family actually values, tends to drift from the family it was built for.

The Questions That Come Before the Portfolio

Every engagement begins with a rigorous conversation, not model portfolios. What does financial independence actually mean for this family, in dollar and in lifestyle terms? Is there an operating business, a new venture, or a return to the workforce on the horizon, or is this capital now expected to support the family indefinitely? What is the family's real tolerance for volatility, measured not by a questionnaire but by how the family felt and behaved the last time markets fell sharply? Who else depends on this capital, whether aging parents, children, or a spouse with different risk preferences? What are the philanthropic ambitions, and are they immediate or intended for the next generation? And in what form did the proceeds actually arrive, all cash, or partly rollover equity, private or public, or an earnout, each with its own timeline, risk, and planning considerations? And beyond the numbers, what does this family actually value, whether independence, privacy, giving back, work ethic in the next generation, minimizing taxes, or a particular way of life they want this wealth to enable? These are not questions with instant answers. They often take real thought and reflection, sometimes over several conversations, and none of them has a correct answer. Skipping them, or rushing them, however, produces portfolios built on presumptions rather than facts.

II. Structure Before Strategy

How the proceeds are actually held once they land is itself an estate planning question, not merely a logistical one. Some sellers, following the roadmap in Part I, arrive at closing with SLATs, dynasty trusts, or QSBS-stacking entities already formed and funded. Just as many arrive with none of that in place, with proceeds landing by default in the seller's own name, with estate planning still entirely ahead of them.

Neither starting point changes what needs to happen next. It only changes how much of it is still ahead of you.

Where the Money Actually Lands

If the estate and entity work from Part I was done before closing, funding is largely a matter of precision. Each dollar of proceeds is directed to the taxable account, revocable trust, grantor trust, non-grantor trust, donor-advised fund, or entity it was designed for, coordinated closely with the attorneys who built those structures.

Just as often, none of that architecture exists yet. A founder in that position should move quickly rather than leave it as unfinished business. Especially if the business owner still retains equity or an earnout in the business that was sold. The question becomes how to structure the proceeds to preserve the wealth rather than how to structure the sale to maximize it, and that question deserves the same urgency as the first, because exemptions, valuations, and the family's own thinking are all still current shortly after a sale in a way they may not be five years later.

Rollover equity, whether in private shares or in a public acquirer's stock, and earnout rights need a planning home too, and because they are often still appreciating, moving them into trusts before that appreciation compounds further can be one of the more valuable, time-sensitive opportunities in this whole process.

The Liquidity Bucket, Before Anything Else Is Deployed

Before a dollar goes into a long-term strategy, we also often carve out a liquidity reserve sized to the tax obligations from the transaction itself, the family's spending plans, and any known capital calls or commitments already in motion. This bucket sits in high-quality, highly liquid instruments, not because it needs to earn a competitive return, but because its job is to ensure the family is never a forced seller of anything else in the portfolio. A securities-based line of credit, established but undrawn, is often a useful complement here, providing inexpensive, flexible liquidity that lets the family avoid disrupting a long-term strategy to fund a short-term need.

Building the Plan Before the Portfolio

A rigorous financial plan rests on three inputs considered together, not in sequence. First, the family's balance sheet, legal entities, tax basis, income and spending. Second, its estate structure. Third, its objectives, values, and risk capacity. Treating estate structure as a final step, something to clean up once the investment plan is set, is the sequencing this paper is meant to avoid. The three belong in the same conversation because the answer to each shapes the other two. An estate structure that shelters a meaningful share of the proceeds changes the amount of investable capital left in the taxable estate. A family's risk capacity is different once a portion of the wealth is irrevocably committed to trusts for children or grandchildren. And the plan's spending assumptions determine how much can safely be moved out of the taxable estate at all.

For a family at this scale, the financial plan is rarely about whether there will be enough. It is answering harder questions. Given the scale of the assets, and the fact that a meaningful portion of it may never be needed to fund this generation's lifestyle, what is the objective of the wealth? How should the estate be structured to reflect that objective? What risk can the family now afford to take, and what risk do they actually want to take? A rigorous plan should model these questions jointly and illuminate the real trade-offs across scenarios.

A good plan will also require a real figure for actual spending. Many families find that exercise clarifying, because even sophisticated families are often surprisingly imprecise about what they truly spend today and what they will want to spend once the discipline and structure of running a business is gone. That said, not every family sees the value in it. Some prefer to keep spending assumptions fluid and simply build a plan flexible enough to absorb variance.

The estate and tax architecture, whatever stage it is in from the work described above, continues to evolve alongside the investment plan rather than sitting apart from it. Liquidity itself opens tools that a concentrated, pre-sale balance sheet could not support. For example, private placement life insurance can wrap tax-inefficient strategies inside a tax-advantaged structure in a way that was simply not accessible when the balance sheet was one concentrated business. Alternatively, a diversified, liquid portfolio opens the door to active tax-loss harvesting across asset classes, an ongoing source of after-tax value. None of this is a one-time exercise finished at the closing table. It is a part of the plan, revisited as the family's circumstances, the tax code, and markets all continue to change.

Only once the plan reflects all of these realities together, including risk capacity, spending, and estate structure, does portfolio construction become a matter of solving a well-defined problem rather than guessing at one.

The Practitioner's Insight

The single biggest determinant of long-term investment success is not manager selection or market timing. It is whether the family had a real plan once the money arrived, and whether they had the discipline to let that plan, not the market's mood or their own, drive the decisions that followed.

III. Setting the North Star: A Long-Term Strategic Allocation

The next step is addressing the family's investment objectives with a specific, long-term strategic asset allocation, a target mix across public equities, liquid fixed income, private equity, private credit, real estate, and idiosyncratic strategies that reflects the family's goals, time horizon, liquidity needs, and genuine tolerance for risk. This allocation, arrived at deliberately, analyzed rigorously, and revisited periodically rather than continuously, becomes the family's North Star. It is the fixed point we navigate by when markets are volatile, when a compelling new opportunity appears, or when short-term sentiment argues for a detour. We do not treat it as rigid. Tactical tilts and opportunistic moves within the framework are part of good portfolio management. The next section discusses exactly how those work. But the strategic allocation itself should move rarely, and only when the family's own circumstances or objectives genuinely change, not because of a headline, a market swing, or the temptation of a hot new deal.

The Research Behind the North Star

This is not simply house philosophy. It is one of the more robust findings in institutional investment research.[1] Landmark studies of large pension plans found that a portfolio's long-term asset allocation, far more than market timing or security selection, explains the great majority of how its returns move over time.[2] A later, more precise treatment sharpened the picture: roughly 90% of a typical portfolio's year-to-year variability traces back to its allocation policy, while manager selection matters more for explaining why one portfolio outperforms a similar one.[3] Manager selection still matters, particularly in less efficient markets, but the academic evidence is consistent. Get the long-term allocation right, and manager selection becomes a meaningful refinement of a sound plan. Get the allocation wrong, and no amount of manager selection reliably fixes it.

Why the Traditional 60/40 Falls Short for Substantial Balance Sheets

A traditional portfolio of 60% public equity and 40% liquid fixed income is not wrong, but for a family with the scale, time horizon, and liquidity profile of a recent liquidity event, it is often under-diversified. A meaningfully allocated North Star might instead target something closer to 30% public equity, 20% liquid fixed income, and the remaining 50% spread across private equity, private fixed income, real assets, and idiosyncratic strategies. The rationale is straightforward. A family that has just converted years of illiquid, concentrated business risk into liquid capital rarely needs all of that capital back in liquid form. A meaningful private markets allocation, sized appropriately against the liquidity bucket discussed above, captures an illiquidity premium historically unavailable in public markets, extends genuine diversification beyond the correlated swings of a traditional stock and bond portfolio, and reflects the multi-decade time horizon that a family after a large liquidity event usually has.

Put another way, a portfolio that gets its returns from more diversified sources beyond simply stocks and bonds should have lower long-term risk as it does not put "all of its eggs" in the public stock and bond market "basket". We have a philosophy of diversifying sources of return by including alternatives in equity, fixed income and real assts.

The target also has to account for what the family already owns. Any equity retained from the sale itself, whether rollover equity in private shares or in publicly traded stock, is real, valuable exposure to a single company and often a single sector, and it should be treated as such. A founder who sold a technology company for a mix of cash and acquirer stock, for instance, may already be carrying substantial technology-sector risk before a single new dollar is invested. In that case, the rest of the portfolio's public equity sleeve should likely underweight technology, not out of any view on the sector, but simply to avoid doubling down on a concentration the family already has. The North Star should be built with that concentration already on the table, not layered on top of it.

Manager Selection Still Matters, But Within the Allocation

None of this makes manager selection unimportant, particularly in private markets. The dispersion between top-quartile and median managers in private equity, venture, and credit is far wider than in public markets, which makes underwriting a meaningful source of incremental value once the allocation itself is right. We favor managers with genuine specialization in a defensible niche over brand-name funds raising ever-larger vehicles, and insist on direct, side-by-side diligence, not simply access through a feeder fund or a pooled vehicle that adds fees and dilutes alignment. We treat manager selection as the important refinement it is.

The Practitioner's Insight

Founders who have just sold a business are often uncomfortable holding what looks like risk, whether that is illiquidity in private markets or a concentrated stake retained from the sale itself. Resist the instinct to overcorrect. An illiquidity premium, properly sized and properly compensated, is a source of return, not merely a risk to avoid, and retained equity is often a meaningful piece of a founder's future wealth. Our job is not to eliminate either. It is to make sure the rest of the portfolio is built with both already on the table.

IV. The Pacing Problem: Why This Takes Years, Not Months

One of the least intuitive aspects of implementing a North Star allocation is that the target is rarely achievable, or even advisable, on day one. A family that commits its full private markets allocation into a handful of funds in a single calendar year takes on concentrated vintage-year risk and will spend several

years with capital called in unpredictable patterns while earning little in the interim, known as the J-curve effect.

Tranching the Commitments

The liquid portion of the portfolio, public equities and fixed income, can and generally should be deployed relatively promptly once the plan is set. But even this is subject to market valuation and economic headwinds. We often spread public equity deployment across quarters to average into market valuations.

The private markets allocation is different by design. Commitments are typically staged over a two-to-four-year period, spreading exposure across multiple vintage years so that the eventual portfolio is not overly dependent on the market conditions of any single year. This is deliberate, not indecision. One of the more common mistakes we see is a family eager to feel fully invested, wanting to rush.

Staying Opportunistic Without Moving the North Star

A multi-year implementation horizon does not mean the plan is rigid. Markets occasionally offer compelling investment opportunities, such as a sharp equity drawdown, a dislocated credit market, or a compelling co-investment with reduced fees. Our typical strategic plans build in enough flexibility to lean into genuine opportunities as they appear. Think of it as trimming the sails, not changing the destination. The distinction that matters is between tactical flexibility exercised within the North Star framework, and abandoning the framework altogether because of a headline or a market move. The former is good portfolio management. The latter is how disciplined, diversified plans quietly become undisciplined, concentrated ones.

V. Governance, the Next Generation, and Philanthropy

A liquidity event of this size often marks the first time a family's wealth is discussed as a shared, multigenerational asset rather than the founder's personal balance sheet. That shift deserves its own deliberate process.

Preparing the Next Generation

Financial education and structured family governance conversations, addressing questions of stewardship, expectations, and eventual roles, are far more effective when introduced proactively than when they happen for the first time at a wealth transfer event. Families who wait until an estate plan triggers a transfer are starting from a considerable disadvantage. At the request of family heads, we often work directly with children and grandchildren, educating them on financial markets, investment strategies, and their family's portfolios.

When There Is No Next Generation

Not every founder has heirs to prepare, and for those clients the questions are different. They center on who holds decision-making authority if the founder cannot exercise it, who serves as successor trustee, and what institution or cause receives what remains. A founder without children still needs governance and a clear line of succession.

Philanthropy as Part of the Plan, Not an Afterthought

Charitable intent, whether expressed through a donor-advised fund, a private foundation, or direct impact investing, is most effective when integrated into the financial plan from the outset rather than layered on

later. A DAF funded with highly appreciated assets in the same year as substantial income is earned or a major liquidity event takes place, can create meaningful tax savings and complement the broader plan. The decision of foundation versus DAF versus outright giving deserves the same rigor as any other structural decision in this paper. The right structure depends on the family's charitable goals, tax situation, and desire for ongoing involvement.

VI. Living With the Plan

A financial plan and the North Star allocation built from it are not static documents, though formalizing them in an "Investment Policy Statement" is a practice we recommend. The strategy should be revisited periodically, not reactively. It should be stress-tested against both historical and simulated market scenarios, and rebalanced deliberately as circumstances, tax law, and markets change. The North Star does not move because of a headline. It moves when the family's own life changes, whether through a significant gift, a shift in goals, or a genuine change in risk tolerance. Everything else is noise, not a change in the destination. The family that set this course in year one is rarely in an identical position five years later, and the plan should evolve accordingly, without losing the long-term orientation that made it sound in the first place.

The Bottom Line

Selling a business, or otherwise receiving a large, sudden pool of capital, replaces one kind of complexity with another. The urgency and adrenaline of a transaction give way to the quieter, longer discipline of stewardship. That means understanding what the family needs, setting a North Star allocation built on that understanding, implementing it with patience rather than urgency, and holding that course as conditions change around it. This is not a project with an end date. It is the beginning of managing the family's wealth as a permanent, multi-generational institution, one that, done well, endures long after the transaction that created it.

About the Author

Perry Hoffmeister is the Co-Founder and Managing Partner of Colter Lewis Investment Partners, an independent multi-family office serving founders, business owners, and multigenerational families navigating significant wealth. Over almost a decade co-leading Colter Lewis, Perry has advised families through every stage of a liquidity event, from the years of preparation beforehand, through the sale process itself, to the long work of building and stewarding a plan for the capital it creates. Before co-founding Colter Lewis, Perry spent nearly 30 years in investment banking, including roles running European Investment Banking for Lehman Brothers and as CEO of the Global Investment & Corporate Bank at BMO Capital Markets, where he advised senior executives and boards on a variety of M&A and strategic transactions. That earlier career gives Perry a practitioner's fluency in how a sale actually works, but it is the years spent building Colter Lewis and sitting across the table from founders and business-owning families that shape how he advises clients today.

Notes

1. Gary P. Brinson, L. Randolph Hood, and Gilbert L. Beebower, "Determinants of Portfolio Performance," Financial Analysts Journal 42, no. 4 (1986): 39–44.

2. Gary P. Brinson, Brian D. Singer, and Gilbert L. Beebower, "Determinants of Portfolio Performance II: An Update," Financial Analysts Journal 47, no. 3 (1991): 40–48.

3. Roger G. Ibbotson and Paul D. Kaplan, "Does Asset Allocation Policy Explain 40, 90, or 100 Percent of Performance?," Financial Analysts Journal 56, no. 1 (2000): 26–33.

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