CASE STUDY

Reducing Concentration Risk Through Diversification

When Success Creates a New Challenge

After more than two decades with a Fortune 500 company, a senior executive accumulated a substantial position in company stock through stock options, restricted shares, and retirement savings plans.

The investment had performed exceptionally well and represented a significant portion of her net worth. However, the concentration created a growing concern: too much of her financial future was dependent on the performance of a single company.

The Client Background

- Fortune 500 executive
- Significant company stock position
- Limited diversification
- Minimal real estate exposure
- Concerned about future retirement income

The Challenge

Concentrated stock ownership created exposure to a single company's future performance while limiting diversification opportunities.

The Strategy

We recommended a structured plan to gradually reduce the concentrated stock position while market conditions remained favorable. Rather than replacing one investment with another, the objective was to create a more balanced portfolio with multiple sources of return.

Portfolio Objectives

- ✓ Reduce dependence on a single company
- ✓ Increase diversification across asset classes
- ✓ Add income-producing real estate exposure
- ✓ Improve long-term portfolio resilience
- ✓ Create additional retirement income sources

CASE STUDY OUTCOME

The Outcome

- Reduced reliance on a single stock position
- Broader diversification across asset classes
- Gained exposure to real estate and income-producing investments
- Maintained a long-term growth orientation

The Result

- Transitioned from a concentrated equity position to a more balanced portfolio
- Improved portfolio flexibility
- Added multiple sources of income
- Reduced dependence on the future performance of a single company

Key Takeaway

Diversification is not about abandoning what has worked. It is about reducing dependence on any single investment, company, or asset class so that long-term success is not tied to a single outcome.

General Disclosure

All investing involves risk of loss of some or all principal invested. Past performance is not indicative of future performance. There can be no guarantee that any investment or strategy will achieve its stated objectives. Speak to your tax and/or financial professional prior to investing. Securities and advisory services through Emerson Equity LLC, member FINRA and SIPC and a registered investment adviser. Emerson is not affiliated with any other entity identified herein.

Real Estate / 1031 Risk Disclosure

- **There is no guarantee** that any strategy will be successful or achieve investment objectives.
- **Potential for property value loss** – All real estate investments have the potential to lose value during the life of the investments.
- **Change of tax status** – The income stream and depreciation schedule for any investment property may affect the property owner's income bracket and/or tax status. An unfavorable tax ruling may cancel deferral of capital gains and result in immediate tax liabilities.
- **Potential for foreclosure** – All financed real estate investments have potential for foreclosure.
- **Illiquidity** – These assets are commonly offered through private placement offerings and are illiquid securities. There is no secondary market for these investments.
- **Reduction or Elimination of Monthly Cash Flow Distributions** – Like any investment in real estate, if a property unexpectedly loses tenants or sustains substantial damage, there is potential for suspension of cash flow distributions.
- **Impact of fees/expenses** – Costs associated with the transaction may impact investors' returns and may outweigh the tax benefits.
- **Stated tax benefits** – Any stated tax benefits are not guaranteed and are subject to changes in the tax code. Speak to your tax professional prior to investing.