



SpaceX IPO Planning Guide for Employees

RSUs, Stock Options, Taxes & Life After Going Public

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Important Disclosure: This guide is for informational purposes only and does not constitute personalized financial, tax, or legal advice. SpaceX equity compensation structures may vary. Consult with a qualified financial advisor before making decisions about your equity compensation.

The IPO on the Horizon

SpaceX is no longer just hinting at a public debut — it's actively preparing. CFO Bret Johnsen has been meeting with private investors since mid-December 2025, and multiple credible sources point to a potential mid-2026 listing at a valuation between **\$1.5 trillion and \$1.75 trillion**. If realized, this would be the largest IPO in history, eclipsing Saudi Aramco's 2019 listing.

In December 2025, SpaceX was valued at approximately \$800 billion in a secondary share sale — roughly double the \$400 billion valuation from July 2025. Elon Musk confirmed that reports of IPO preparations are "accurate." Morningstar's analysis indicates SpaceX plans to float approximately 3.3% of its equity to raise up to \$50 billion.

KEY TIMELINE MILESTONES

- July 2025** ● SpaceX valued at ~\$400B in secondary sale
- Dec 2025** ● Secondary share sale at ~\$800B valuation
- Dec 2025** ● CFO begins meeting with private investors
- Feb 2026** ● xAI acquisition creates ~\$1.25T combined entity
- Mid-2026** ● Projected IPO window at \$1.5T–\$1.75T

"The decisions you make in the next 90 to 180 days — around exercise timing, tender offer participation, tax planning, and diversification — will determine whether your equity creates lasting financial independence or becomes a cautionary tale."

What This Means for Employees

The valuation runway from \$800 billion to \$1.5 trillion represents enormous potential appreciation on your existing grants. But it also means the tax bill on your equity is growing with every month you wait to plan. The spread on early ISOs is already staggering — at a \$1.5 trillion IPO valuation, it could be orders of magnitude larger than when your shares were granted.

SpaceX reported roughly \$8 billion in profit on \$15–\$16 billion in revenue in 2025, with revenue growth accelerating past 50% year-over-year, driven primarily by Starlink. This isn't speculative momentum — it's backed by real cash flow.

Understanding Your SpaceX Equity

SpaceX's compensation philosophy trades lower cash salaries for rich equity stakes. The type of equity you hold determines your tax treatment, timing options, and ultimate wealth outcome. Here's what you need to know about each form.

RSU Restricted Stock Units

RSUs are grants of company stock that don't become real shares until they vest. SpaceX RSUs are **single-trigger**, meaning they vest based solely on continued employment — no IPO trigger required.

- ◆ Vest semi-annually (May 15 & Nov 15)
- ◆ Taxed as ordinary income at vest
- ◆ 4–5 year grant durations typical
- ◆ Creates tax on illiquid shares

ESPP Employee Stock Purchase Plan

SpaceX's ESPP allows employees to purchase shares at a 15% discount using payroll deductions over six-month offering periods. The lookback provision creates very low cost bases as share prices rise.

- ◆ 15% discount on purchase price
- ◆ Special tax treatment if held
- ◆ Lookback provision boosts returns
- ◆ Should often be sold last, not first

CRITICAL PLANNING ISSUE

Standard withholding on RSUs is 22% (37% above \$1M), but your actual rate in California may exceed 50%. The gap can be **\$100,000 to \$500,000+**. That bill arrives in April — potentially during a lockup when you can't sell shares.

Long-tenured employees with multiple overlapping grants face a steady and growing stream of taxable income every six months. A senior employee with three or four active grants could see significant ordinary income at each vest date, even though none of those shares can be freely sold on an open market.

Stock Options Deep Dive

SpaceX has historically granted both Incentive Stock Options (ISOs) and Non-Qualified Stock Options (NSOs). Understanding the mechanics and tax implications of each is crucial for maximizing your after-tax wealth.

Incentive Stock Options (ISOs)

ISOs give you the right to buy SpaceX shares at a fixed strike price. If you joined early with a strike of \$20–\$80 and the current 409A is north of \$500, the spread is massive.

- The spread is **not taxed as regular income** when you exercise, but it is an adjustment for Alternative Minimum Tax (AMT)
- Typically vest over 4 years with a 1-year cliff, followed by monthly or quarterly vesting
- Hold 1 year after exercise + 2 years after grant = **long-term capital gains** (~24% CA vs 50%+ ordinary)

Non-Qualified Stock Options (NSOs)

NSOs are taxed as ordinary income on the spread at exercise — no AMT alternative. For employees who chose 6-year NSOs for the 3x share count multiplier, the trade-off is clear: more shares, but fully ordinary income tax on exercise.

- Spread taxed immediately as ordinary income at your marginal rate
- After exercise, future gains on held shares qualify as capital gains
- Coordinate timing with ISO strategy and RSU vesting to avoid income stacking

THE AMT DECISION

Every funding round and 409A update makes ISOs more expensive to exercise. The strategic approach: **exercise in batches across multiple tax years**, targeting your AMT crossover point each year. This is the single highest-leverage decision in SpaceX equity planning.

The Math at IPO Valuation

At a \$1.5T valuation (~\$750+/share), early employees with a \$50 strike could face spreads of \$700+ per share. The AMT bill on 10,000 ISOs at that spread: approximately **\$1.8 million** — owed in a year when you likely cannot sell due to lockup.

Tax Planning Fundamentals

The IPO year will likely be the highest-income year of your career. Between RSU vesting, ISO exercises, tender offer proceeds, and base salary, total taxable income could easily reach \$1M–\$5M or more. California employees face a combined marginal rate exceeding 50%.

The Five Tax Principles Every SpaceX Employee Needs

- 1 Different Events, Different Taxes**

RSU vesting, option exercises, and ESPP sales each trigger taxes differently and at different times. Coordinating these events across calendar years is essential.
- 2 Withholding ≠ What You Owe**

Standard supplemental withholding (22%, or 37% above \$1M) rarely covers your actual tax liability. At a 50%+ effective rate, the shortfall can be six figures.
- 3 AMT Creates Both a Problem and an Opportunity**

AMT paid on ISO exercises generates credits recoverable in future years. Strategic batching across years minimizes net additional tax.
- 4 Timing Is the Tax Lever You Control**

The when of exercising, selling, or participating in tender offers matters as much as the what. Stacking events in one year vs. spreading across two can swing your tax bill by hundreds of thousands.
- 5 Build the Tax Calendar Now**

Run multi-scenario projections at \$1T, \$1.5T, and \$2T valuations. Know your quarterly estimated payments. Map ISO exercises against RSU vesting to avoid unnecessary stacking.

EXAMPLE: THE COST OF WAITING

At \$2M in total income, you're looking at roughly **\$1 million** in total federal, state, and FICA taxes — before accounting for any AMT on ISO exercises. Employees who exercised in batches across 2024, 2025, and 2026 will pay a fraction compared to those who waited to exercise everything at once at maximum valuation.

The Tax Comparison Table

Understanding when and how each equity type triggers taxes is the foundation of your planning strategy. Here's a comprehensive side-by-side breakdown:

Equity Event	When Tax Triggers	Type of Tax	Common Mistake
RSU Vesting	At vest date	Ordinary income (W-2)	Owing tax on illiquid shares with insufficient withholding
NSO Exercise	At exercise	Ordinary income on spread	Exercising without cash planning or bracket awareness
ISO Exercise	Year of exercise (AMT)	Potential AMT liability	Triggering AMT without understanding timing or recovery
ESPP Sale	At sale	Ordinary + capital gains	Selling immediately and losing favorable tax treatment
Post-IPO Sale	At sale	Capital gains (short or long)	Selling all at once instead of staged diversification

Florida Tax Spotlight

37%

Federal Top Rate
Ordinary income

0%

FL State Rate
No Personal Income Tax

39%+

Combined Marginal
Including FICA/Medicare

THE INCOME STACKING PROBLEM

In the IPO year, your taxable income could include all of the following simultaneously:

- Base salary + bonus
- RSU vesting (May + November tranches across multiple grants)
- ISO exercise spreads (AMT adjustment)
- NSO exercise spreads (ordinary income)
- Tender offer capital gains
- ESPP discount income

Without coordination, this stacking can push you into the highest brackets on every dollar.

Pre-IPO Strategy & Liquidity

As a private company, SpaceX controls share transfers. You generally cannot sell stock freely until there's a public market or the company authorizes a liquidity event. Understanding your pre-IPO options is critical.

Tender Offers & Secondary Sales

SpaceX has periodically offered tender offers — typically one to two windows per year. The January 2026 tender at the \$800B valuation was a major event. Every tender is a capital allocation decision:

Selling Too Much

Means missing the potential run from \$800B to \$1.5T+ valuation. You surrender upside at exactly the moment when asymmetric returns are highest.

Selling Too Little

Means remaining dangerously concentrated through an IPO that could be volatile. You risk having 80%+ of net worth in one illiquid stock.

THE CONCENTRATION FRAMEWORK

1. Calculate your **concentration percentage** — SpaceX equity as % of total net worth
2. If SpaceX is >20–25% of your net worth, **reduce at every available window**
3. Set a target: "SpaceX = 15% of portfolio by IPO day" → work backward
4. At minimum, sell enough to cover estimated tax liability from the tender + upcoming ISO exercises

Pre-IPO Action Items

- Map every active grant and know exactly how many shares vest at each upcoming May and November date
- Build a cash reserve to cover the RSU withholding gap (the difference between 22% withheld and 50%+ actual rate)
- Model ISO exercise cost at multiple 409A valuations before exercising
- Coordinate with your CPA to set up quarterly estimated tax payments
- Review your stock plan documents and understand transfer restrictions, repurchase rights, and tender offer eligibility

Post-IPO: Life After Going Public

The IPO is the beginning, not the end. When SpaceX goes public, your equity transforms from an illiquid asset into a publicly traded position — but new rules, restrictions, and emotional pressures emerge immediately.

The Lockup Period (90–180 Days)

After the IPO, you will likely face a 90 to 180 day lockup period during which you **cannot sell shares**. This is not downtime — it's your most critical planning window.

- ◆ Finalize your sell schedule
- ◆ Coordinate with CPA on quarterly estimated payments
- ◆ Set up brokerage accounts for diversified deployment
- ◆ Review estate planning if equity exceeds gift/estate thresholds

Pre-Decide Your Sell Rules

"I will sell X% of my shares in the first week after lockup, Y% per month for the next six months, and retain Z% as my long-term position."

Write it down. Share it with your advisor. Execute regardless of price.

When the lockup expires, the market is typically flooded with insider selling, which often depresses the stock price temporarily. Employees who planned their schedule beforehand execute calmly. Those who didn't either panic-sell at the bottom or freeze and hold through further declines.

Finding Your "Critical Mass" Number

Critical mass is the point where your diversified, liquid portfolio generates enough income to cover annual expenses without additional contributions or stock appreciation. This is when work becomes optional.

For most SpaceX employees with Florida expenses:

\$2.5M – \$7M in liquid assets

Excluding retirement accounts (if under 60) and home equity

Below Critical Mass

Some concentration may be appropriate — asymmetric upside can be the fastest path to getting there

Above Critical Mass

70%+ in one stock is not investing — it's gambling with wealth you've already earned

Common Mistakes That Destroy Wealth

For many employees, the biggest threat to long-term wealth at IPO isn't the market — it's poor planning. Here are the five most expensive mistakes we see:

01**Treating the Lockup as a Waiting Period**

The lockup is when you should be finalizing your sell schedule, setting up diversified accounts, coordinating quarterly estimated tax payments, and reviewing estate planning. Treating it as idle time costs you months of preparation.

02**Exercising All ISOs at IPO**

The AMT bill on exercising your entire ISO position in the IPO year can be catastrophic. Employees who batched exercises across 2024–2026 will pay a fraction of the tax compared to those who waited.

03**Confusing Conviction with Portfolio Strategy**

You can believe SpaceX is the most important company in the world and still recognize that 80% of net worth in one stock is uncompensated risk. Your salary, career, and future grants already give you massive SpaceX exposure.

04**Ignoring the Withholding Gap**

22% withholding on a 50%+ actual tax rate creates six-figure shortfalls. If you don't plan, the bill arrives in April — potentially during lockup when shares can't be sold.

05**Selling ESPP Shares First**

ESPP shares typically have the lowest cost basis and the most favorable tax treatment if held to qualifying disposition. In most cases, these should be the last shares you sell.

The employees who navigate IPOs successfully operate from **frameworks, not reactions.**

Your Pre-IPO Action Checklist

The next 90 to 180 days are your highest-leverage planning window. Use this checklist to systematically prepare for the SpaceX IPO and protect the wealth your equity represents.

IMMEDIATE — THIS MONTH

- Inventory all equity: RSUs, ISOs, NSOs, ESPP shares — grant dates, vesting schedules, strike prices
- Calculate your SpaceX concentration percentage (equity as % of total net worth)
- Request copies of all stock plan documents, award agreements, and company bylaws
- Identify your AMT crossover point for ISO exercise planning

NEXT 30 DAYS

- Run multi-scenario tax projections at \$1T, \$1.5T, and \$2T IPO valuations
- Build a cash reserve to cover the RSU withholding gap for the next 12 months
- Develop an ISO exercise strategy — determine how many shares to exercise this year
- Evaluate whether to participate in the next tender offer and at what level
- Set up quarterly estimated tax payments with your CPA

60–180 DAYS BEFORE IPO

- Draft your post-IPO sell rules: X% at lockup expiry, Y% monthly, Z% long-term hold
- Open brokerage accounts for diversified portfolio deployment
- Review estate planning — gift and estate tax implications if equity exceeds thresholds
- Coordinate with a financial advisor experienced in pre-IPO equity planning
- Set up a 10b5-1 trading plan if you're subject to insider trading restrictions

THE BOTTOM LINE

The employees who benefit most are the ones who treat an IPO as a **planning event**, not just a payday. Every decision you make now compounds through the IPO and beyond.

CHAPTER 10

Your Equity Deserves a Strategy, Not Just Hope

At McDonough Capital Management, we specialize in helping employees at high-growth companies navigate the complexities of equity compensation, tax planning, and wealth building around major liquidity events like an IPO.

WHAT WE HELP WITH

- ◆ ISO exercise timing & AMT planning
- ◆ Multi-scenario IPO tax projections
- ◆ Post-IPO diversification planning
- ◆ 10b5-1 trading plan setup
- ◆ RSU vesting & withholding gap analysis
- ◆ Tender offer participation strategy
- ◆ Concentration risk assessment
- ◆ Estate & wealth transfer planning

Schedule a Complimentary Equity Review

mcdonoughcapital.com



Independent Registered Investment Adviser

Custodians: Charles Schwab & Co | Fidelity Investments
Securities Offered Through Osaic Wealth, Inc | Member FINRA/SIPC
Advisory services offered through McDonough Capital Management
McDonough Capital Management is not affiliated with Osaic Wealth, Inc

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