Bespoke Capital

The Bespoke Act 60 Financial Architecture

A framework for coordinating investments, liquidity, tax reporting, business interests, estate planning, and the advisor team

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EXECUTIVE SUMMARY

A decree is not a financial plan.

Moving to Puerto Rico under Act 60 can create meaningful opportunities, but the decree addresses only one part of a family's financial life. Successful owners and investors often arrive with businesses, legacy investments, private funds, real estate, trusts, insurance, lending relationships, and advisors in multiple jurisdictions.

The result is usually not a lack of expertise. It is a lack of coordination. A tax attorney may handle the decree, a CPA may prepare the returns, an investment advisor may manage the portfolio, and an estate attorney may update documents - yet no one may be accountable for how the decisions interact.

> **The central idea.**
>
> The financial plan should be built around the decree, not reduced to it.

THE BESPOKE ACT 60 FINANCIAL ARCHITECTURE

The architecture organizes the work into six tangible client deliverables:

1.	**Act 60 Financial Map**	A single view of the balance sheet, cash flow, entities, business interests, family goals, and major decisions.
2.	**Pre-Move / Post-Move Asset Ledger**	A durable record of acquisition dates, basis, move-date values, ownership, and supporting documents.
3.	**Income Source & Character Matrix**	A common language for capital gain, interest, dividends, ordinary income, and mixed K-1 items.
4.	**Portfolio Architecture**	An allocation built around the job each dollar must perform, not a generic mainland model.
5.	**Specialist Team Map**	Clear roles for tax, legal, estate, business, investment, insurance, banking, and real estate professionals.
6.	**Annual Family Office Calendar**	A recurring cadence for documentation, filings, reviews, implementation, and family coordination.

Act 38-2026 amended future-applicant rules and extended the program through 2055. Start with the client's decree, application date, residency facts, and current law. [1][2]

The move can simplify one part of the tax picture and complicate everything else.

Act 60 may create meaningful tax opportunities for qualifying decree holders, but benefits are not automatic or uniform. Outcomes depend on the client's decree, application date, bona fide residency, income source and character, acquisition dates, entity structure, reporting, current law, and other facts. Investors should weigh potential tax benefits against recordkeeping and compliance burdens, fees, concentration, credit, liquidity, valuation, reporting complexity, and possible loss of principal. Qualified Puerto Rico and U.S. tax and legal professionals should evaluate individual circumstances. [1][4][5][6][7]

1. Residency reduced to a day count

Federal bona fide residency generally considers presence, tax home, and closer connection, with special rules for the year of move. Documentation should support the complete facts, not only a calendar total. [4][5][7]

2. Legacy assets not memorialized

Marketable securities may require move-date fair market value records. Nonmarketable property may require acquisition dates and holding-period information. Reconstructing those facts years later is avoidable. [6][7]

3. Return character ignored

Capital gain, interest, dividends, ordinary income, and mixed partnership items may be sourced and reported differently. The product label alone does not answer the tax question. [4][6][7]

4. A mainland portfolio copied unchanged

Turnover, tax-loss harvesting, current yield, private-market pacing, and liquidity may deserve a different design after the move. The address change should not be the only portfolio change.

5. Private managers cannot provide detail

A K-1 may not provide everything the tax team needs. Manager cooperation, acquisition dates, realization dates, and underlying source-and-character detail can become a diligence issue.

6. Advisors working in silos

Strong advice in one lane can create a weak overall outcome if the tax, legal, estate, business, investment, and family decisions are sequenced independently.

The coordination risk

The biggest risk is not lacking a professional. It is having professionals whose work is not coordinated.

Six deliverables turn a tax opportunity into an operating system.

Each deliverable answers a different question, creates a shared record, and gives the family and advisor team a common way to make decisions.

1. Act 60 Financial Map

Question: What do we own, owe, control, and need?

Output: One consolidated view of wealth, liquidity, entities, business interests, risks, family goals, and decisions.

2. Pre-Move / Post-Move Asset Ledger

Question: When was each asset acquired and what was documented when residency began?

Output: A permanent ledger of basis, value, ownership, marketability, and evidence.

3. Income Source & Character Matrix

Question: How is each expected return likely to be sourced and reported?

Output: A matrix covering capital gain, interest, dividends, ordinary income, and mixed items.

4. Portfolio Architecture

Question: What job does each dollar have, and what risk is being accepted?

Output: A purpose-built allocation for growth, diversification, liquidity, private markets, and opportunity capital.

5. Specialist Team Map

Question: Who owns each decision and who coordinates the work?

Output: Clear roles, communication expectations, and escalation paths across the specialist team.

6. Annual Family Office Calendar

Question: What must be reviewed, documented, filed, and implemented each year?

Output: A recurring calendar that prevents year-end scrambling and missed handoffs.

The objective

Make complexity visible before it becomes expensive, and give one person responsibility for keeping the whole picture coordinated.

Start with the whole balance sheet, then preserve the timeline.

The architecture begins by documenting what exists today and separating facts that may matter later. A family should not have to rebuild its financial history in the middle of a sale, audit, estate event, or portfolio transition.

1 | THE ACT 60 FINANCIAL MAP

One page should answer five questions:

- **What do we own?** Public investments, private funds, direct deals, business interests, real estate, entities, trusts, insurance, and personal assets.
- **What do we owe?** Mortgages, lines of credit, guarantees, capital commitments, taxes, and contingent obligations.
- **What must remain liquid?** Spending, estimated taxes, real estate, business needs, capital calls, giving, and emergencies.
- **What are we trying to accomplish?** Financial independence, family support, philanthropy, business growth, succession, and legacy.
- **Who is responsible?** The current advisor team, decision owners, missing specialists, and unresolved handoffs.

What it produces

- A consolidated net-worth and ownership view.
- A liquidity runway and concentration view.
- A single action list that connects the specialists.

Document before the decision

Do not wait until a sale, move, audit, death, or distribution to reconstruct what should have been documented on day one.

2 | THE PRE-MOVE / POST-MOVE ASSET LEDGER

The ledger preserves the facts that may be needed later.

FIELD	WHY IT MATTERS
Acquisition date	Separates legacy holdings from assets acquired after the move.
Original basis	Supports future reporting and realized-gain calculations.
Move-date value	Marketable securities may require a fair market value record at the beginning of the Puerto Rico holding period. [6][7]
Owner / entity / account	Ownership, domicile, beneficiary, trust, and entity facts affect planning.
Asset type and marketability	Marketable and nonmarketable property can require different records and allocation methods. [6]
Expected disposition	Sale, gift, distribution, liquidation, redemption, or retained ownership.
Evidence	Statements, valuations, K-1s, subscription documents, appraisals, and legal agreements.

A PRACTICAL CHECKLIST BEFORE YOU COMMIT CAPITAL

A good deal should be able to survive thoughtful review.

RETURN CHARACTER	COMMON EXAMPLES	QUESTIONS TO RESOLVE
Capital gain	Sale or exchange of securities, business interests, direct deals, and certain option or structured payoffs.	Was the asset acquired before or after the move? Is it marketable? What is the source? What does the decree cover? Is there legacy appreciation?
Interest	Deposits, bonds, credit funds, debt instruments, lending, and some structured products.	Who is the legal payer? Where is the income sourced? Is it current income or accumulated inside an entity? What federal and Puerto Rico treatment applies?
Dividends	Public company dividends, fund distributions, and corporate distributions.	Where is the corporation organized? Is withholding involved? Is the distribution a dividend, return of capital, or gain? How is it reported?
Ordinary income	Compensation, service income, operating income, certain coupons, OID, and some derivative or note outcomes.	Where were services performed? Is there a trade or business? Does self-employment tax apply? Is the return being misidentified as capital gain?
Mixed / K-1 items	Hedge funds, private equity, partnerships, real estate, and direct operating investments.	Can the manager provide underlying acquisition dates, realization dates, source, character, withholding, and state or international filing data?

The two-label rule

Every investment should be labeled twice: the job it performs in the financial plan and the return character it is expected to produce. Qualified tax professionals validate the final treatment.

Build the portfolio around jobs, not product categories.

Act 60 can change the after-tax tradeoffs, but it does not change the family's need for growth, liquidity, diversification, discipline, and downside awareness. The portfolio should remain understandable even when the underlying strategies are sophisticated.

1. CORE COMPOUNDING

Broad, benchmark-aware public equity designed to participate in long-term business growth.

Key filters: cost, diversification, tracking error, quality, and total return.

2. ACTIVE OPPORTUNITY

Active equity and long/short strategies where manager skill and turnover may be more valuable for the right decree holder.

Key filters: true alpha, overlap, leverage, fees, and drawdown.

3. RISK-SHAPED GROWTH

Selected growth notes, buffered strategies, and autocallables that define market outcomes.

Key filters: prospectus tax character, issuer credit, barrier, liquidity, embedded cost, and concentration.

4. DIVERSIFIERS

Global macro, market neutral, event-driven, or multi-strategy exposures intended to reduce dependence on a single equity outcome.

Key filters: actual beta, liquidity, K-1 character, and downside behavior.

5. PRIVATE MARKETS

Evergreen private equity, select funds, direct deals, and real assets for long-term compounding.

Key filters: pacing, illiquidity, governance, manager reporting, capital calls, and estate fit.

6. LIQUIDITY & OPPORTUNITY CAPITAL

Cash for spending, taxes, business needs, real estate, capital calls, emergencies, and future opportunities.

Key filters: safety, access, payer/source, duration, collateral, and simplicity.

The investment standard

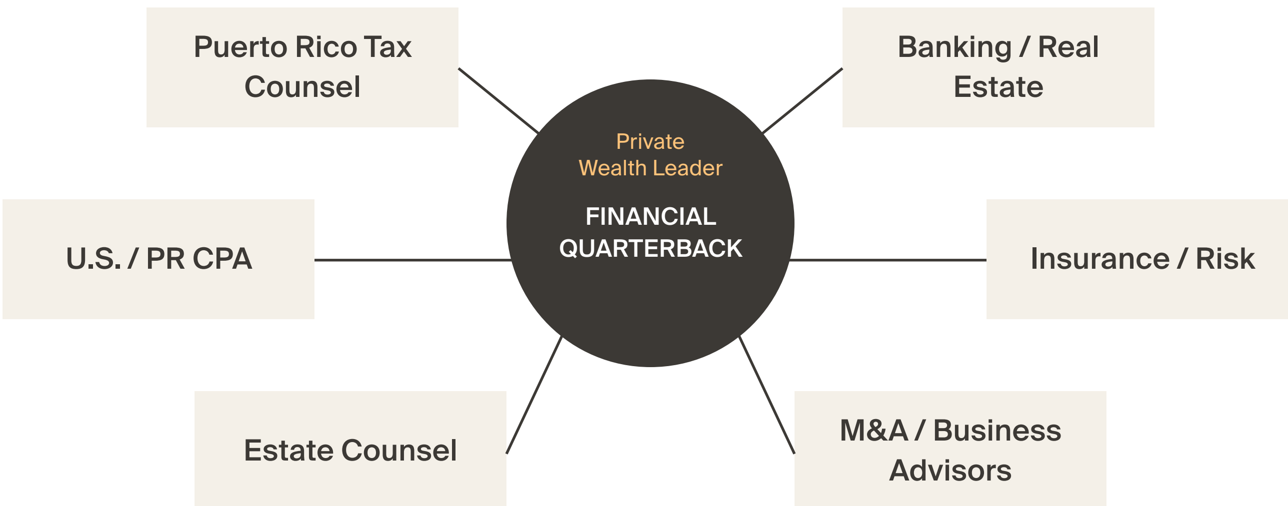
Tax efficiency is a design input - never permission to ignore fees, concentration, credit, liquidity, reporting quality, or downside risk.

TEAM MAP + ANNUAL CALENDAR

The plan works only when roles and timing are clear.

Act 60 families often have excellent specialists. The architecture makes their work more valuable by clarifying ownership, communication, sequencing, and the recurring calendar.

5 | THE SPECIALIST TEAM MAP



6 | THE ANNUAL FAMILY OFFICE CALENDAR

Q1	Q2	Q3	Q4
REPORTING + RESIDENCY	**ESTATE + ENTITIES**	**PORTFOLIO + PRIVATE MARKETS**	**YEAR-END COORDINATION**
Returns, 1099s and K-1s, source-and-character review, residency file, and Form 8898 when applicable.	Estate documents, ownership, beneficiaries, insurance, entity maintenance, and charitable commitments.	Allocation, liquidity runway, private commitments, manager reporting, business planning, and transaction readiness.	Realized gains, distributions, charitable gifts, capital calls, tax estimates, and the next year's planning calendar.

The calendar advantage

Convert compliance and planning from a year-end scramble into a recurring family office process with named owners and documented follow-through.

A DISCIPLINED PROCESS

Tailored planning does not mean improvised planning.

Every family has a different business, decree, balance sheet, advisor team, and definition of a life well lived. The recommendations should be custom-tailored, but the process should remain disciplined so important decisions are not missed.

1. UNDERSTAND

Understand the move, decree, residency facts, business, family, full balance sheet, liquidity needs, goals, current advisors, and what would make the relationship useful.

CLIENT OUTPUT: A complete financial map, a prioritized issues list, and clarity on who currently owns each decision.

2. DESIGN

Build the six deliverables, identify the gaps, model the important decisions, and coordinate the questions that require tax, legal, estate, or business review.

CLIENT OUTPUT: A written architecture linking portfolio, liquidity, reporting, estate, entity, and specialist decisions.

3. DEPLOY

Use A Day Well Spent to present the architecture, agree on the implementation order, assign owners, and execute the portfolio and planning changes.

CLIENT OUTPUT: An implementation sequence with named owners, required documents, and agreed portfolio and planning actions.

4. STEWARD

Review the architecture as assets, businesses, laws, family members, and goals change. Continue portfolio oversight, family meetings, manager diligence, and advisor coordination.

CLIENT OUTPUT: A recurring family office cadence that keeps the plan current as facts, markets, laws, and family needs change.

THE FIRST 100 DAYS

DAYS 1-30

Map the balance sheet, gather decree and residency documents, preserve asset records, and identify the specialist team.

DAYS 31-60

Build the source-and-character matrix, portfolio architecture, team map, annual calendar, and decision list.

DAYS 61-100

Validate with specialists, implement agreed changes, create the family reporting package, and establish the recurring meeting cadence.

The investment standard

Tax efficiency is a design input - never permission to ignore fees, concentration, credit, liquidity, reporting quality, or downside risk.

Before assuming the plan is coordinated.

Mark each statement Yes, No, or Not Yet. The objective is not to produce a score. It is to identify where better documentation, specialist review, or coordination could help the family.

Y	N	NY	
			We can explain which decree applies and what it does not cover.
			Residency is tracked through presence, tax home, closer connection, and supporting documentation.
			We have move-date values for marketable securities.
			I have a current, market-aware view of business value.
			We have acquisition dates and holding-period detail for private and nonmarketable assets.
			Legacy assets and post-move assets can be identified separately.
			Every material investment has an expected source-and-character label.
			The portfolio was redesigned for Puerto Rico rather than merely readdressed.
			Liquidity covers spending, taxes, capital calls, business needs, real estate, and emergencies.
			Hedge fund and private-market managers can provide the reporting detail the tax team may need.
			Structured investments are reviewed for tax character, issuer credit, cost, barrier, and liquidity.
			Business and entity structure are coordinated with export-service and transaction planning.
			Estate documents, ownership, and beneficiary designations reflect current goals and domicile.
			Each advisor knows the role, communicates directly, and understands who owns the next action.
			An annual calendar covers filings, decree obligations, charitable commitments, and planning reviews.
			The family understands what the wealth is meant to accomplish and how the plan works.

How to use the assessment

Every No or Not Yet is not a failure. It is a planning opportunity. The earlier the family identifies the gap, the more time the team has to create clarity, preserve evidence, and coordinate the right specialists.

A PERSONAL PERSPECTIVE

The Act 60 specialization is an extension of our business-owner work, not a departure from it.

At Bespoke Capital, our practice remains built around one client type: successful privately held business owners. We help owners become financially independent of their businesses, prepare for liquidity, coordinate specialists, and steward the wealth after the transaction.

Act 60 families are rarely looking for only an investment portfolio. They are coordinating a business, liquidity, residency, taxes, estate planning, private deals, real estate, and a new chapter of family life.

My role is not to replace the CPA, attorney, banker, investment professional, or other specialist. It is to make sure the right people are at the table, the right questions are assigned, decisions are sequenced correctly, and the plan actually gets implemented.

Why Work With Specialists

The strongest fit is a founder, active business owner, post-exit entrepreneur, or family office whose financial picture has become too complex for disconnected advice. The goal is not to make the plan more complicated. It is to make the complexity understandable, intentional, and coordinated.

> **A decree is not a financial plan.**
>
> We build the financial plan around it - connecting the portfolio, business interests, tax and legal specialists, estate plan, liquidity, and family decisions into one architecture.

If you are a business owner or Act 60 family beginning to organize the whole picture, we invite you to schedule a confidential conversation.

Contact us at cody@bespokecap.com to begin the discussion.

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Important disclosures and selected primary sources

Important Disclosures

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Act 60 benefits are not automatic and are not uniform. Outcomes depend on the client's decree, application date, bona fide residency, income source and character, acquisition dates, entity structure, reporting, current law, and other individual facts. No representation is made that any tax rate, exclusion, sourcing result, investment outcome, or planning strategy will apply or be achieved.

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Selected Primary Sources

1. Puerto Rico Act 60-2019, as amended
Puerto Rico Incentives Code.

2. Puerto Rico Act 38-2026
Amendments affecting future Individual Resident Investor applicants and extending the program through 2055.

3. Internal Revenue Code Section 933
Exclusion of qualifying Puerto Rico-source income for bona fide residents.

4. Internal Revenue Code Section 937
Bona fide residency, source rules, and reporting framework.

5. Treasury Regulation Section 1.937-1
Presence, tax home, closer connection, year-of-move rules, and reporting.

6. Treasury Regulation Section 1.937-2
Possession source rules, marketable securities, nonmarketable property, dividends, interest, and other items.

7. IRS Publication 570 (2025)
Tax Guide for Individuals With Income From U.S. Territories.

8. IRS Form 8898 and instructions
Notice when an individual begins or ends bona fide residence in a U.S. territory.

9. IRS LB&I Active Campaign - Puerto Rico Act 22
Compliance focus on Section 937 residency and the classification of U.S.-source versus Puerto Rico-source income.

The sources above are a starting point, not a substitute for professional advice or current legal research.