

Turning business success into charitable impact

How **Presidio Partners** and tax-efficient financial planning helped make it happen

The situation

Our client was the co-founder of a software as a service company that was going to be acquired for up to \$500 million. With a 10 percent ownership stake in the company, she faced a large tax liability.

With this event on the horizon, we began strategizing for ways to optimize the outcome. Through our conversations we came to find out that she had a passion for helping at-risk youth finish high school and attend college. Knowing she wanted to make a significant contribution towards this cause, we introduced a great solution: donating shares prior to the deal closing, as opposed to donating cash afterward.



The strategy

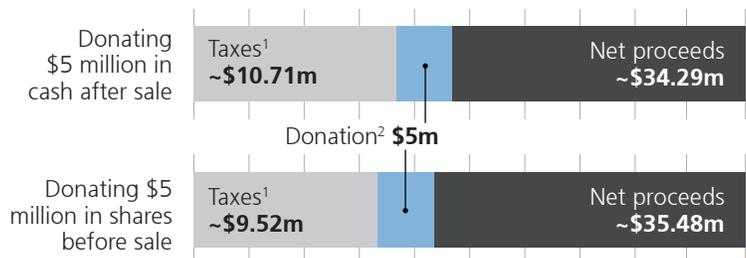
We first met with the UBS philanthropy team to educate our client about a Donor-Advised Fund (DAF). We then introduced her to a CPA to model her tax liability based on various sale scenarios.

Next, we did the math to fully evaluate potential impacts:

- Our client’s gross proceeds at sale were going to be approximately \$50 million, 100% of which would be taxable as long-term capital gains.
- By planning ahead and donating 10% of her shares to a DAF before the deal was completed, our client was able to pay less in taxes and increase her net proceeds.

Through the DAF, our client then had the ability to recommend grants to charities of her choosing over the course of several years.

Comparison of a gift of after-tax proceeds vs. gift of shares*



* Graphic is based on Long Term Capital Gains rate of 23.8%, any applicable state income taxes not accounted for.

The future

We helped our client achieve her goal of supporting her passion while also receiving over ~\$1.19m more ‘after-tax’ dollars for herself and her family.

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¹ Assumptions: Donor is subject to a 20.0% federal capital gains rate, a 3.80% tax on net investment income and 13.3% California state capital gains tax; No alternative minimum tax; No federal deduction for payment of CA taxes.

² Assumes charity sells the shares when business is sold.

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