

Leveraging tax saving opportunities for tech founders

How **Presidio Partners** identified estate-plan gaps and tax-saving opportunities

The Situation

Our client, a co-founder of a venture-backed company, was expecting a liquidity event of approximately \$75 million from an upcoming acquisition. Knowing the transaction would create a large tax event, the client was interested in strategies to minimize the overall tax liability to him and his family.

The Strategy

At Presidio Partners, we have deep experience with helping entrepreneurs through sales of their businesses. We coordinate the expertise our clients need to understand their options and optimize their liquidity events. In this case, we brought together UBS Senior Wealth Strategists, CPAs and estate attorneys and held a roundtable discussion among them to educate our client and his family. This discussion included considerations ahead of the sale and allowed us to identify gaps in the client's existing financial plan and estate documents.

A key component of our recommendations was a strategy involving the qualified small business stock (QSBS) tax exemption. Many entrepreneurs are familiar with the personal exemption but not the concept of QSBS "stacking," which is also called trust stacking.

We discussed this solution with the clients in detail, including how the QSBS exemption works, how to stack QSBS exemptions across multiple irrevocable trusts (one for each of his three children), the individuals/roles involved in administering the irrevocable trust into the future, and how to best structure those trusts to guard against the concern that their children might not share their values of independence and hard work.

The Result

A tax advisor provided a QSBS opinion letter, and a trust/estate attorney helped to establish the trusts and execute the gifting of shares. Multiple irrevocable trusts were established, one for each child, thereby multiplying the amount of federally tax-free income realized during the transaction—a tax savings that helped the client to preserve generational wealth for his family.

In total, the client received an additional \$30 million in QSBS exemptions (three trusts x \$10 million per trust), ultimately resulting in about \$7.14 million of total tax savings for the family.



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