

# Well timed advice results in sizable tax savings for a successful founder

## ZS Wealth Partners

### Private Wealth Management

#### The challenge

Our client, a California-based founder in his 30s, was planning to sell approximately one-third of his business, valued at \$90 million, to a private equity firm. Having already amassed \$10mm in personal wealth, and expecting a further \$35 million liquidity event from the business sale, he needed guidance on how he could use advanced planning strategies to help minimize his taxes while also meeting his long-term liquidity needs.

#### The strategy

At ZS Wealth Partners, we have a proven track record of successfully navigating the complex challenges faced by our entrepreneurial clients. In this situation, the path forward was clear to us. To address the upcoming liquidity event in a tax-efficient way, we suggested establishing a Nevada-based trust, a Nevada Incomplete Non-Grantor (NING) Trust.

A NING allows the client to transfer the share of his business that is being sold to the trust as owner, thereby avoiding California taxes. While a NING trust stipulates

that the client relinquishes the rights to the trust assets, the trust does have a distribution committee as well as an investment committee handling these decisions—and they may theoretically authorize distributions to the client if they deem it appropriate.

To ensure that we arrived at the very best solution for our client, we consulted an extensive network of external experts, including trust and estate attorneys as well as the client's investment banker, CPA and personal attorney. We also involved family members that were slated to be the trust's advisors and committee members.

We also worked with him to help further trim the tax liability on his personal investment portfolio: by creating as many losses as possible to offset his capital gains and by encouraging him to take advantage of 'opportunity zone' investments, which are designed to defer capital gains.

#### The result

The client has a clear plan for how to best handle an upcoming liquidity event. As he was not in need of immediate liquidity, establishing the complex Nevada-based trust substantially reduced what would have been a sizable tax bill a multi-million dollar tax bill. At a future date, if the client moves from California to become a resident in a no-tax state, he would be able to get distributions from the trust tax free. In summary, our advice and suggested strategies helped simplify his wealth plan and saved him over \$5 million in possible taxes.



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### **UBS Financial Services Inc.**

Private Wealth Management  
1285 Avenue of the Americas  
New York, NY 10019  
212-713-9870

**[advisors.ubs.com/zswealthpartners](https://advisors.ubs.com/zswealthpartners)**

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