Grow*

Reduce capital gains taxes

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The situation
A prospective client recently sold his company to a major social media firm for both stock and cash. This serial entrepreneur had never been advised about the advantages of both qualified small business stocks (QSBS) and IRS Section 1045.

– After a phone interview with our team, the prospect agreed to send over his family trust and balance sheet. He then scheduled a meeting to discuss the documents as well as tax-saving strategies pertaining to the merger consideration.

The strategy
Our team met with him along with an estate and tax specialist from our Advanced Planning Group to analyze the family trust document.

Our estate and tax planning specialist illustrated the current plan and offered potential improvements to the document.

– Our specialist explained the recent changes to estate law and tax rates over the past 10 years as well as the future expectations.
– This team outlined how the yet-to-be-sold merger stock could be sold under QSBS.
– The merger cash consideration could also be used to roll into a new small business.

The benefits
Our client gained greater confidence about how taxes would affect his estate's value, especially over the course of his and his wife's long lifetime.
– Under the proper QSBS filing, he could sell his merger stock for a significantly reduced federal capital gains tax.
– By investing all the merger cash into a new small business venture within 60 days of his merger closing, our client was able to defer 100% of the capital gains tax on the cash component.

*Investing involves risks, including the potential of losing money or the decline in value of the investment. Performance is not guaranteed.