



THE MSO STRATEGY STARTER KIT

FOR PRODUCER USE ONLY



GUARDIAN
TAX CONSULTANTS



THE MSO STRATEGY

A Management Services Organization (MSO) is a valuable tool to enhance your practice and provide your business owner clients with the ability to better **protect their assets, save on taxes,** and utilize those savings to **hedge against risks** using insurance.



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WHO IS THIS STRATEGY FOR?



Business Owners with:

- Consistent revenue (3+ years of profitability)
- Total Annual Personal Income of \$2.5M+
- Annual Federal Income tax liability of \$500k+
- 4 owners or less, privately held businesses



THE PROBLEMS

- Business owners' assets may be at risk without a central business entity to protect assets and share common resources
- Business owners are paying significantly more in taxes than is necessary
- Business owners are unprepared for the significant tax increases coming in 2026
- Business owners have continuity and wealth gaps that may hinder their ability to successfully run and/or exit their businesses

The Wealth Gap: potential discrepancies between long-term lifestyle income goals and the means to accomplish them

The Continuity Gap: potential financial & operational risks to the business(es) ability to function without significant disruption

The Tax Gap: potential excess in taxes paid due to cash flow inefficiencies or sub-optimal entity financial structures

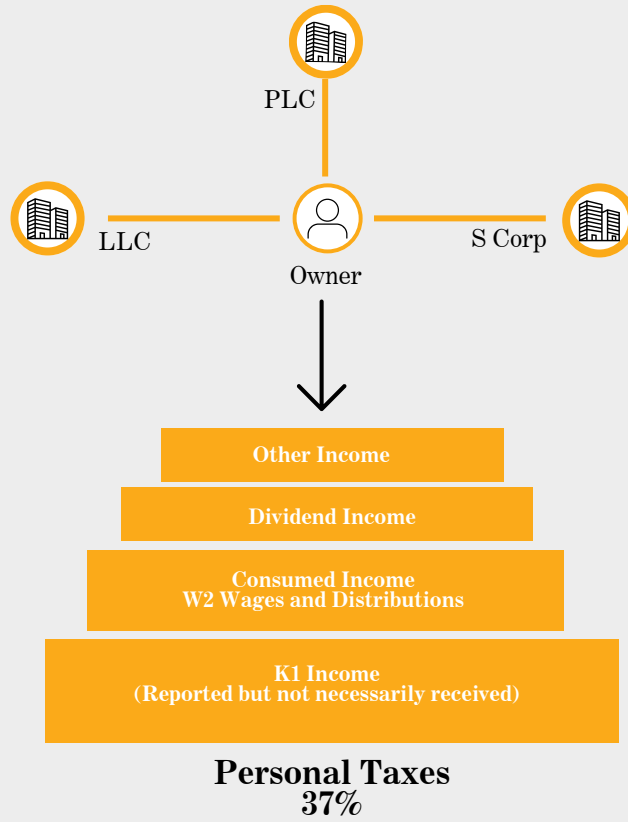
THE SOLUTIONS

Incorporate a Management Services Organization (MSO) into their business enterprise.

- The MSO creates a central entity to protect assets and share common resources across the enterprise
- The MSO may reduce tax liabilities for the business owner
- The MSO may insulate the business owner from the 2026 sunset provisions by leveraging the difference in taxation structures between the MSO and their operating company
- The MSO creates savings that may be applied to purchase insurance, providing a hedge against risks related to continuity and wealth gaps.

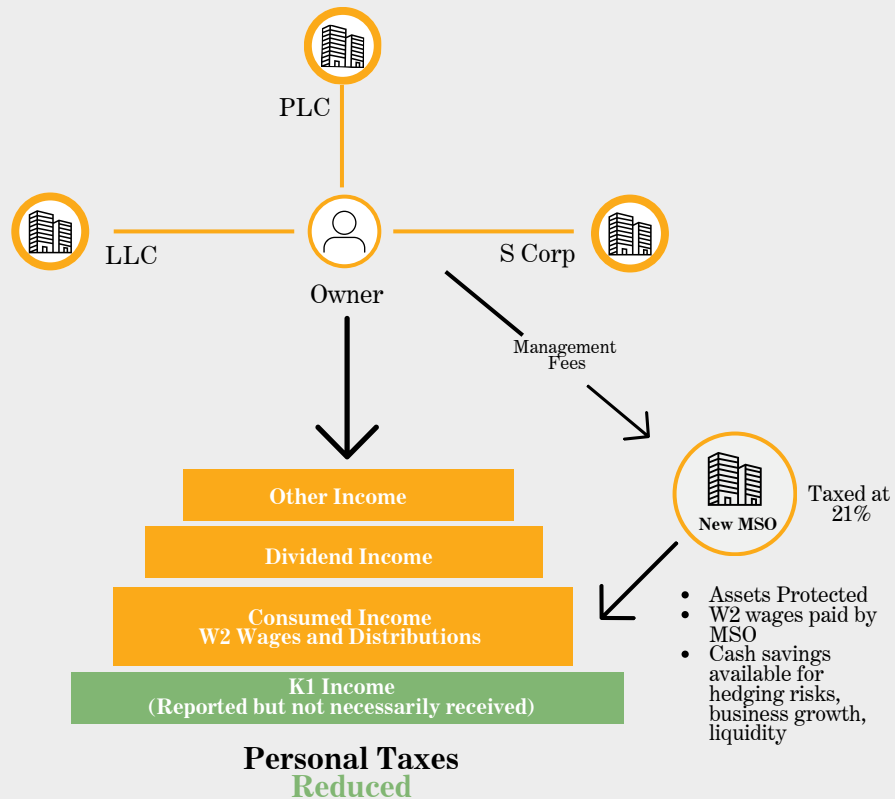


Pass-through Structure



VS

Optimal Structure



POTENTIAL DRAWBACKS

Double Taxation

- A dividend tax of 20% may be required to distribute earnings for personal consumption out of the MSO
- Business owners should continue to pay themselves a salary to cover their living expenses and allow the rest of their after-tax dollars to accumulate tax efficiently in their MSO

Accumulated Earnings

- This tax is imposed on any C Corp funds permitted to accumulate over \$250,000 instead of being distributed to shareholders
- Exemption may occur by documenting the business purposes for retaining working capital such as reinvesting those earnings in the growth of the business, acquisitions, shareholder succession planning, business continuity
- Business purpose(s) should be recorded in the corporation's legal documents such as meeting minutes, accounting reserves, financial statements, business plans, strategic planning documentation

Planning for an Exit

- Wealth can be transferred from one generation to another through the MSO
- Accumulated earnings can be drained on qualified business expenses
- MSO may be converted to an S corporation, appreciated assets may be sold after 5 years at a more favorable tax rate
- A strategic buyer may purchase both the operating companies and the MSO
- All remaining earnings may be distributed as a dividend

Ongoing Maintenance and Compliance

- Management fee calculations must be accurate, up to date and properly recorded
- The fees must accurately reflect the services provided
- Requires an additional set of MSO books and tax returns for the new entity

CASE STUDY: MSO W/IUL

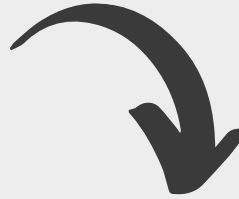
Background

Clients: two 50% joint partners (ages 47 and 61) of an engineering company organized as an LLC. Company generated \$85 million in gross annual revenue; \$14 million in net profit.

Each partner received a K-1 with approximately \$7 million in annual income taxed at the highest marginal tax rate of 37%. **Each partner paid ~\$2.8 million in federal taxes.**

Each partner's personal net worth and income were highly concentrated in the business.

In addition, age difference in the owners made **succession/exit planning a challenge without sufficient liquidity.**



Tax Gap

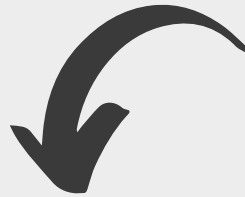
Solutions

Created individual MSOs for each partner.

- Additionally, created an LLC taxed as a partnership, owned 50/50 by each individual MSO.
- Management fees are charged to the engineering firm operating companies for services provided by the MSOs.

Results

- Provided liability protection for employees working in a hazardous environment
- Each partner's K-income was reduced to \$500,000 (from \$7 million):
- Tax savings for each partner: ~\$2.5 million
- MSO federal taxes: ~\$125,000 each
- **Net tax savings: ~\$2.375 million for each partner**



Wealth Gap

Solutions

Age 47 partner:

- Purchased an IUL with \$750,000 7-pay premium policy from his MSO using the cash savings
- At a 5% growth rate, **the cash value accumulation at age 65 is ~\$14million**
- Target premium was \$513,000

Age 60 partner:

- Purchased an IUL with \$2,000,000 7-pay premium policy from his MSO using the cash savings
- At a 5% growth rate, **the cash value accumulation at age 70 is ~\$19 million**
- Target premium was \$931,000



Continuity Gap

Solutions

Liquidity

- Buy/sell documents were updated to **use the policies' cash value accumulations to fund a buyout**
- In addition, these partners had sufficient liquidity and outside income to maintain their quality of life in the event of any plan shortfalls or business failures

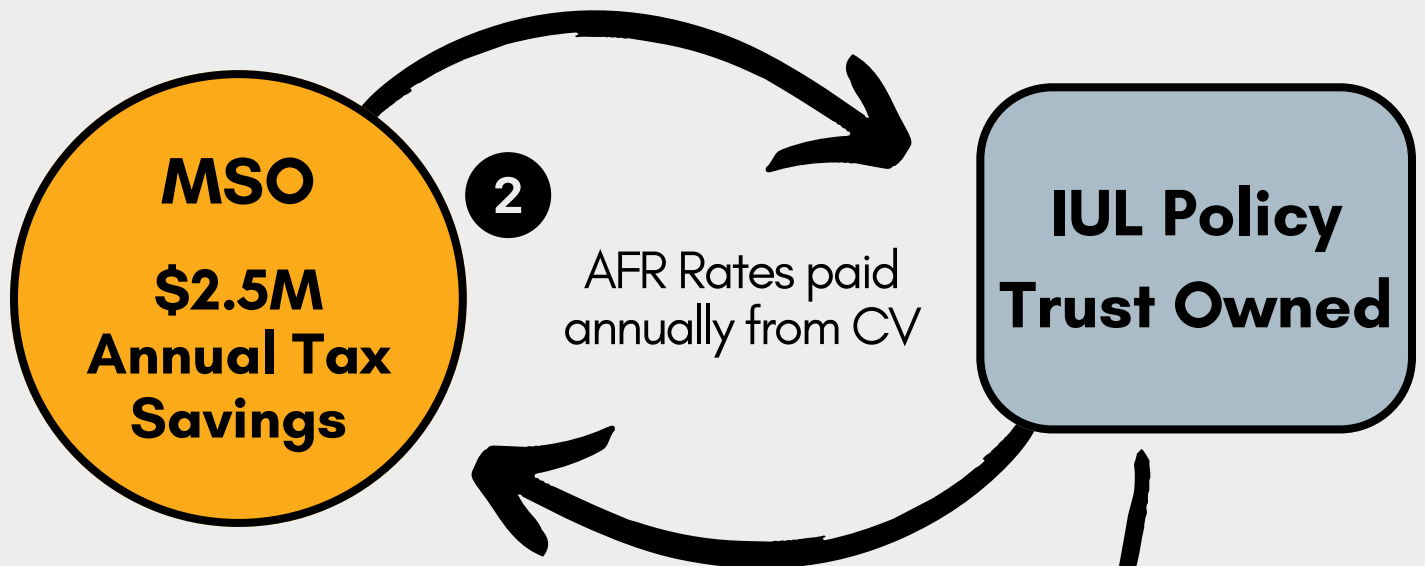
Exit Strategy

- In 2023 the now age 64 year old owner sold most of his business interest to the younger partner
- The MSO was used to hold the seller note and helped with tax efficiency on the sale of shares



CASE STUDY CONTINUED: MSO W/IUL for Age 47 owner

1 7872 Loan for 7 years, \$5.25M total premium paid

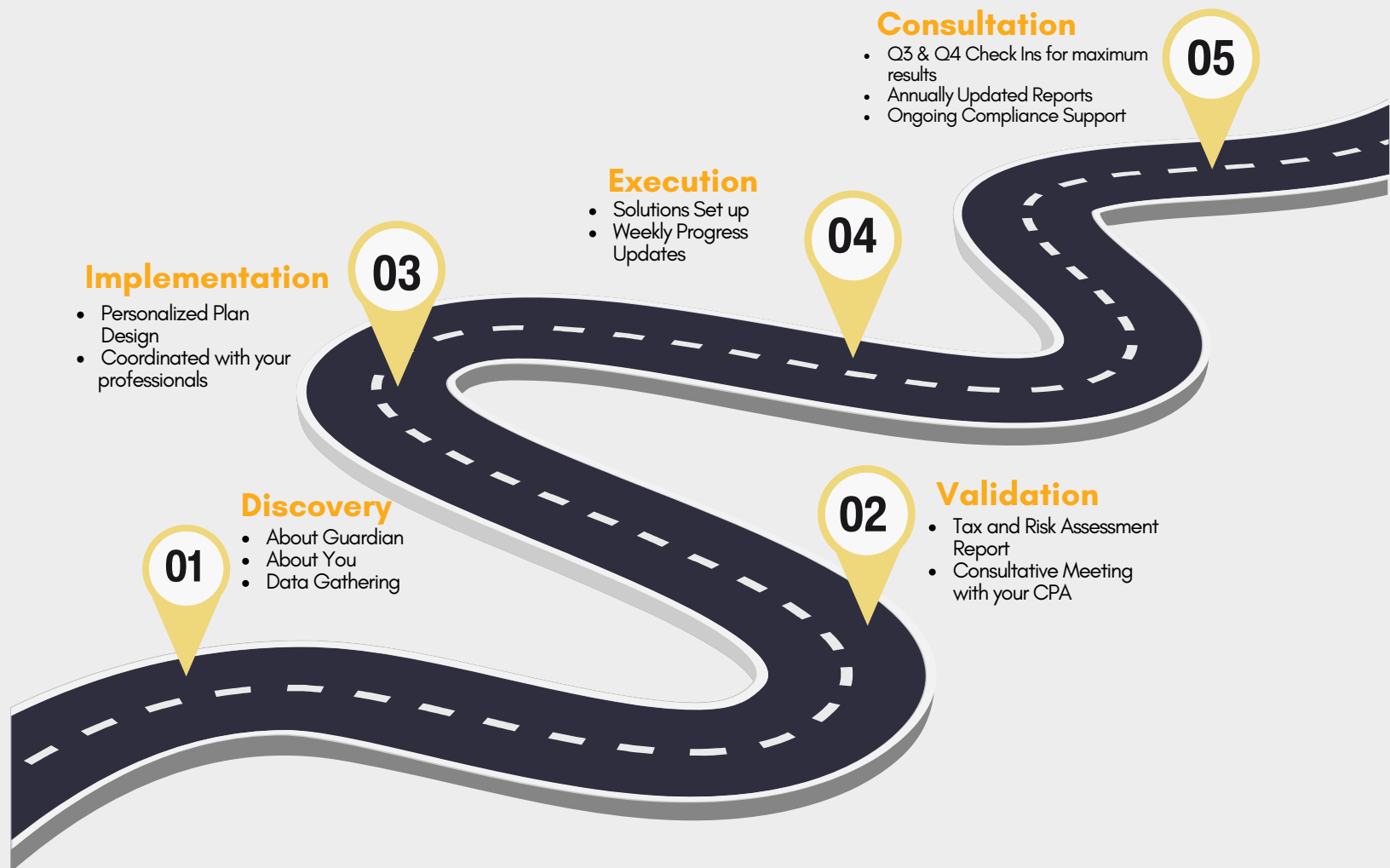


3 In Yr 22, CV used for \$5.25M Loan Repayment, \$1.1M in Dividend Taxes

4 \$50M DB at Age 90 for Heirs

\$513k Target Premium

THE CLIENT PROCESS



Cost Per Business Owner

- Tax and Risk Assessment Report: \$7,500
- MSO Implementation: \$25,000 to \$30,000*
- Maintenance/Oversight: \$10,000
(Annual Engagement after Year 1)

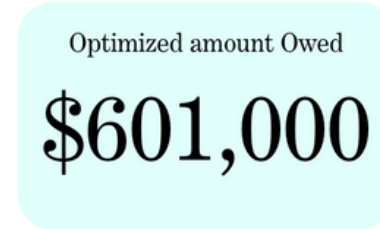
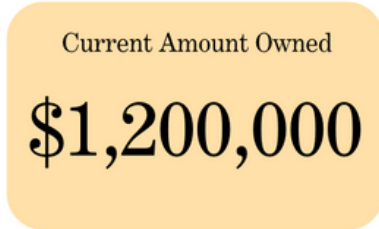
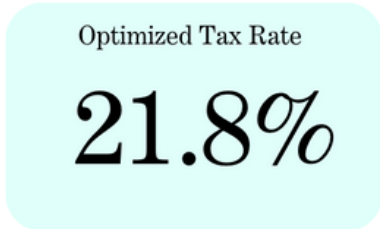
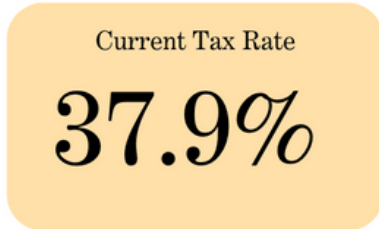
*Implementation Cost dependent on number of operating companies

CLIENT PRESENTATION

The MSO's Impact

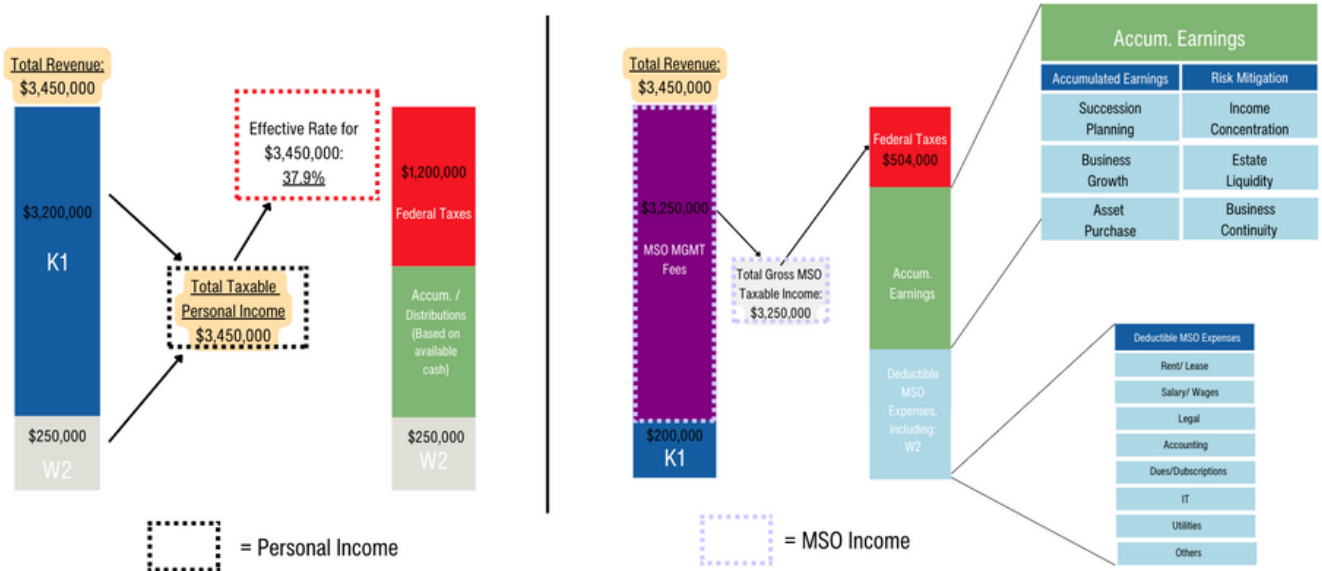
Estimated 2024 Federal Taxes with MSO

Utilizing an MSO Entity Structure may reduce your federal effective tax rate and taxes owed as shown below:



The estimated tax *overpayment* of **\$599,000** is based on 2023 federal tax rates for your entities and filing status. This does not factor in eligible deductions, state income tax, or earned income tax.

Utilizing MSO Savings



TAX AND RISK ASSESSMENT REPORT

- Customized 30 page document identifying your client's specific risks and potential strategies to mitigate the risks, including life insurance.
- Specific and accurate data based off client's personal and business tax returns, personal financial statements and balance sheets.
- An independent tax attorney reviews and validates the feasibility of the MSO strategy for your client, provides reasonable compensation of management fee compliant with IRS guidelines.



SECTION 3 INDEPENDENT TAX ANALYSIS

This section of the report was prepared by [XXX].

Current Status

One of the benefits of utilizing an MSO strategy is the potential for tax savings. As you are currently utilizing multiple income streams that are additive, driving your total annual income into the highest tax bracket.

- 2020 personal tax return: taxable income of **\$1,137,991**; tax liability of **\$394,828**
- 2021 personal tax return: taxable income of **\$1,816,470**; tax liability of **\$596,432**
- Your effective tax rate for each year is around 30%, but **most of your income falls within the highest tax bracket**.
- You have income and losses from **ten flow-through entities** that are taxed on your personal tax return and interest income.

MSO: Assessment & Impact

Utilizing an MSO may mitigate your risk of commingling assets, add flexibility in resource sharing across companies when structured for tax efficiency, save you significant taxes. By creating an MSO to provide services to your company and organizing it as a C-corporation you can shift a portion of your highest taxable income to a lower favorable rate:

- The MSO is structured as a C Corporation, which is taxed at a 21% tax rate. Dividends from the C Corporation are taxed between 0-20% (based on the individual's tax bracket).
- Management fees paid to your MSO should be used for business purposes in servicing your operations. Accumulated earnings should be utilized for business use purposes.
- Your MSO should provide business services and not personal services to avoid being classified as a personal service corporation.
- Based on my analysis of your tax situation, an MSO-executed structure for 2021 and 2022 could provide you with savings of **\$264,461** and **\$300,393**, respectively.

Tax Savings Tables

Projected	2021 Taxes (Actual)	2021 Taxes (with MSO)
Wages	-	\$250,000
Business Income (5% Growth)	\$1,618,553	-
Management Fee (5% Growth)	-	\$1,618,553
Other MSO Expenses* (20%)	-	\$323,711
Tax on Personal Return	\$647,063	\$121,253
Corporate Tax Rate @ 21%	-	(\$983,183*21%) =
Total Tax	\$647,063	\$346,670
Total Savings with MSO	-	\$300,393
% Tax Savings	-	46.4%

TAX AND RISK ASSESSMENT (TRA) REPORT



SECTION 4: REASONABLE COMPENSATION

Reasonable Compensation Study

To calculate the fair market value of services to be provided to [XXX] your assigned tax attorney performed the following procedures:

1. Provided an interview for reasonable compensation. The calculated compensation from the interview relies on data provided by Reasonable Compensation Reports, Bureau of Labor Statistics and US Census data to calculate a concise, unbiased, and justifiable figure.
2. Used industry benchmarking from CSI Market to calculate gross margin averages in the [XXX] market ([XXX%]).
3. Calculated the minimal overhead and profit management fee using baseline percentage (15%).
4. Summed the direct costs, overhead and profit to arrive at a fair market value for services using both methods.
5. Determined the value of financing personally guaranteed using the Present Value method.
6. Calculated the value of Other Factors, including industry expertise and years of experience in the industry, industry contacts, specialized knowledge and skill.

[Real Estate] Development Margin

Management and Supervision direct labor From Interview - [NAME & TITLE]	\$482,082
Value of Personal Guarantees	\$324,885
Other Factors	\$181,390
Total Direct Labor	\$968,337
Direct cost/labor as a percentage of revenue for the real estate industry	50.78%
Total Allowable Management Fee	\$1,907,677

Minimal Overhead and Profit

Direct Labor	\$968,337
Overhead @ 15%	\$145,250
Profit @ 15%	\$145,250
Direct Labor Management Fee	\$1,258,837

Based on our analysis, the reasonable range for the management fee is **\$1,258,837 to \$1,907,677**.

TAX AND RISK ASSESSMENT (TRA) REPORT

13

THE PRODUCER PROCESS

TRA Report

- Tax and Risk Assessment Report
- Tax Attorney signs validates the strategy and management fee
- Report sells the insurance as solution to identified risks

03

Set Up

- Personalized Plan for MSO set up
- Begin underwriting
- Coordinated with you and their financial professionals

04

Maintenance

- Annual Q3 & Q4 Check Ins for maximum results
- Additional insurance solutions

05

01

Qualify

- Submit client intake data

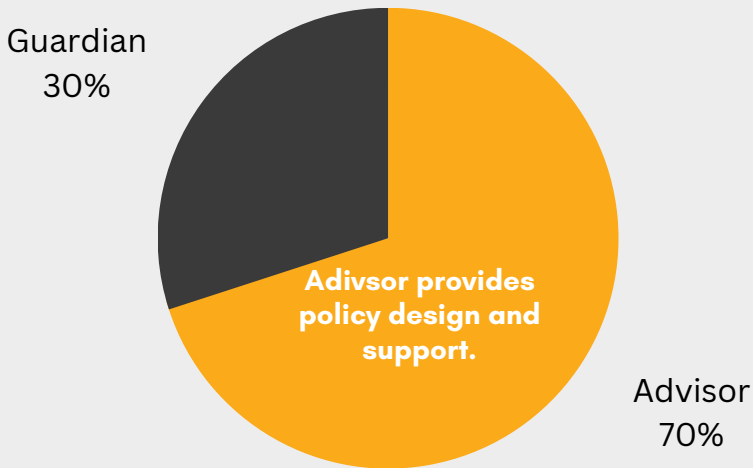
02

MSO Projection & Meeting

- Qualified prospects receive a projection deck
- You present the MSO projection to your client

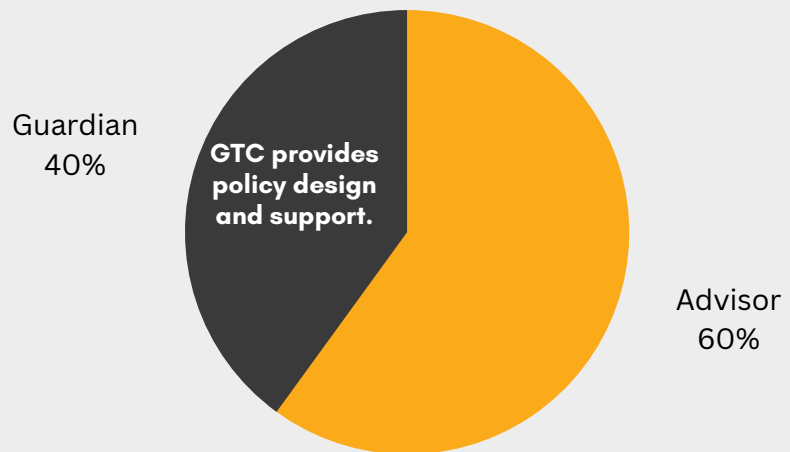
PRODUCER SPLITS

Advisor Designing Insurance Strategy

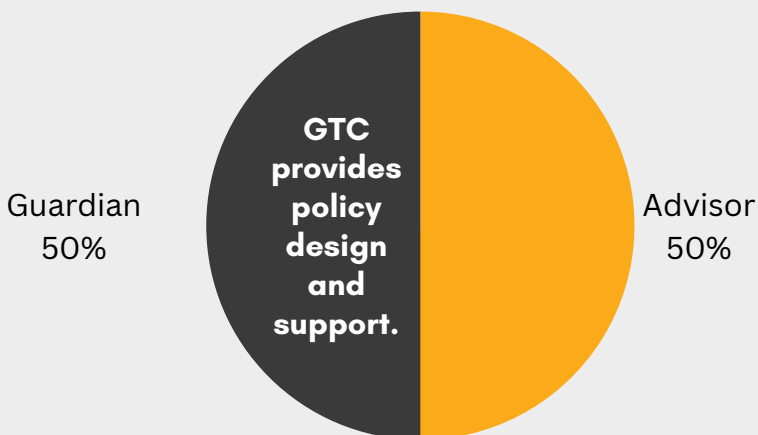


- Agreement to cowrite policies related to the MSO
- The policy designer will be responsible for the Split Dollar Loan Regime compliance and ongoing economic benefit valuations and loan tracking

GTC Designing Insurance Strategy



GTC Travels for Client and Sales Support





MSO Client Intake Form

Client Name: _____ Gender: Female ____ Male ____

DOB: _____ City & State: _____ Annual W2 Wages: _____

Annual Income Required: _____ Federal Tax Filing Status _____
(Pre-tax Consumable amount to maintain lifestyle)

Business Name #1: _____

Business Net Income for Taxes #1: _____

Entity Type #1: _____

Percent of Ownership #1: _____

Business Name #2: _____

Business Net Income for Taxes #2: _____

Entity Type #2: _____

Percent of Ownership #2: _____

Business Name #3: _____

Business Net Income for Taxes #3: _____

Entity Type #3: _____

Percent of Ownership #3: _____

Producer/advisor Name: _____

Producer Group (if applicable): _____

Your number: _____

Your email: _____

Your Company Name: _____

**Scan or
Click to
fill form**



ABOUT GUARDIAN TAX CONSULTANTS

- Have been implementing MSO Strategy since 2019
- Strategy verified by third party tax attorneys and respected legal professionals
- Industry Leader in this strategy
- Dozens of satisfied business owners currently utilizing the MSO Strategy
- 100% retention rate
- Referrals coming from CPA advocates

For a sample of the client presentation for this strategy, **SCAN** this code or **CLICK** here



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Schedule a Call Today.



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