



PRIVATE WEALTH MANAGEMENT FIRM CASE STUDY

THE PROBLEM

A Private Wealth Management Firm (Registered Investment Advisor - RIA) in the Southeast U.S. managed significant assets and provided advanced financial and insurance solutions for high-net-worth clients. The firm earned \$2.5–\$3 million annually in investment management fees and around \$1 million in insurance revenue, occasionally rising to \$2–\$3 million during large case closures.

- **Liability and Operational Risk** – Combining revenue units heightens legal, financial, and operational risks, where issues in one area can affect the entire business.
- **Legal and Compliance Exposure** – A single entity exposes all revenue to legal actions or regulatory issues from one division.
- **Entity Tax Risk** – Operating as a single LLC caused tax inefficiencies, including losing the Qualified Business Income Deduction (QBID) and higher federal taxes.
- **Partner Succession Risk** – A 10-year age gap between partners created buyout uncertainty and unfunded liabilities, threatening business continuity.

OUR OFFERED SOLUTION

Guardian Tax Consultants executed a strategic plan to lower tax liabilities, enhance stability, and fund succession:

- **Business Line Separation:** GTC split the wealth management and insurance into separate entities to maximize tax deductions and reduce liability.
- **QBID Optimization:** The restructured insurance entity became fully eligible for QBID, increasing tax savings.
- **MSO Implementation:** Two C-Corp MSOs were created, paid a combined \$3.2 million in management fees.
- **Centralized Management:** An LLC owned by the MSOs managed operations, maintaining employee roles and improving efficiency.
- **Succession Planning:** GTC structured a special-purpose LLC, allowing owners to write key person and buy-sell insurance policies, funding a tax-efficient buyout.



IMPACT AND RESULTS

- **MSO Entity Tax Results:** \$3.2 million management fees into MSOs created a \$646,000 net tax deferral, providing cash for growth and protection.
- **QBID Benefit:** The insurance only entity claimed QBID, saving \$185,000.
- **Combined Tax Savings:** MSO and QBID strategies delivered \$831,000 in tax savings for reinvestment into the business enterprise.
- **Business Growth:** Retained cash was used to grow and protect the business, including funding insurance policies.
- **Asset Protection:** The MSO structure reduced liability risks.
- **Reduced E&O Costs:** Custom policies for each entity lowered overall expenses compared to a single policy covering one entity.
- **Enhanced Valuation:** Clear profit visibility and the establishment of reasonable owner compensation improved future sale potential.

CONCLUSION

Guardian Tax Consultants enabled the Private Wealth Management Firm (RIA) to save \$831,000 through strategic restructuring, securing growth, risk management, and succession planning for long-term success.