GUARDIAN TAX CONSULTANTS

Case Studies

2025

615-333-7653

Info@guardiantaxconsultants.com

554 Franklin Rd, Suite 105
Franklin, TN 37069

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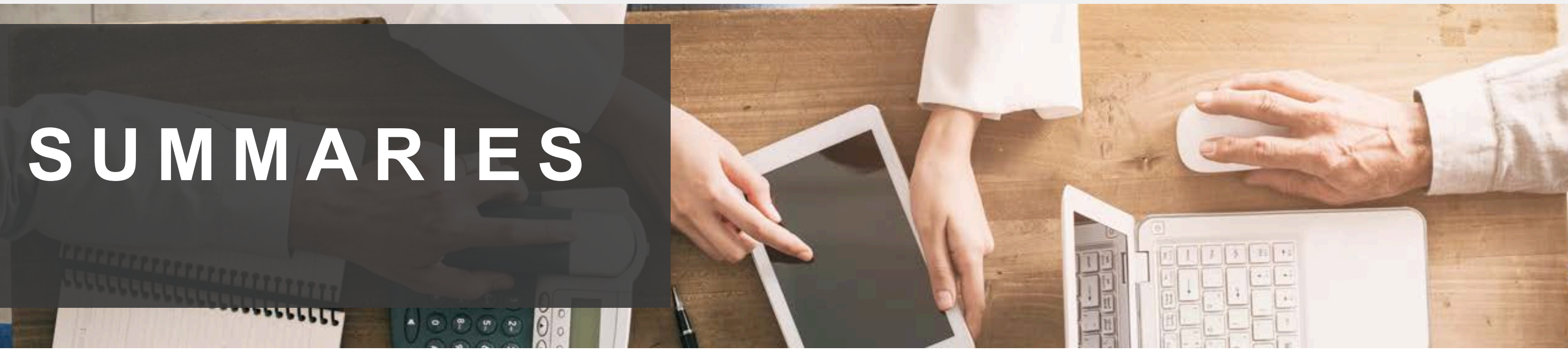

SUMMARIES

RETAIL SALES

Our work with a retail sales company resulted in impressive tax deferrals of $550,000 annually thanks to our MSO strategy. We helped provided liquidity for their inventory management, strengthened their asset protection, and funded insurance policies essential for the company's estate planning. Using part of the MSO funds, we also upgraded their showroom, which greatly enhanced their customer experience and operational efficiency. The accumulated earnings in the MSO, taxed as a C-Corp, grew over the years and facilitated the purchase of their building at the lease's end. These comprehensive solutions ensured the company's increased revenue, competitive advantage, and long-term financial stability.

Topics:

- Line of Credit
- Asset Protection
- Enhanced Cash Flow
- Insurance for Estate Planning
- Accumulated Earnings
- Inventory Management
- Utilizing MSO for Tax Deferrals
- Real Estate Asset Purchase

ENGINNERING SERVICES

Working with an engineering firm, Guardian Tax Consultants implemented an MSO strategy that resulted in a substantial $5 million annual tax deferrals. We centralized their employee management, strengthened their asset protection, and established SERPs to retain their top talent. Our approach included funding insurance policies for SERPs and buy/sell agreements while structuring their exit planning. To support future equipment projects and cash flow needs, we also set up a line of credit. Our MSO offered a comprehensive suite of solutions, effectively addressing the firm's varied operational and strategic requirements.

Topics:

- Executive Retirement Plans (SERPs)
- Asset Protection
- Buy/Sell Funding
- Credit line for Projects
- Utilizing MSO for Tax Deferrals
- Centralizing Employee Management
- Business Exit Strategy
- Three Operating Companies

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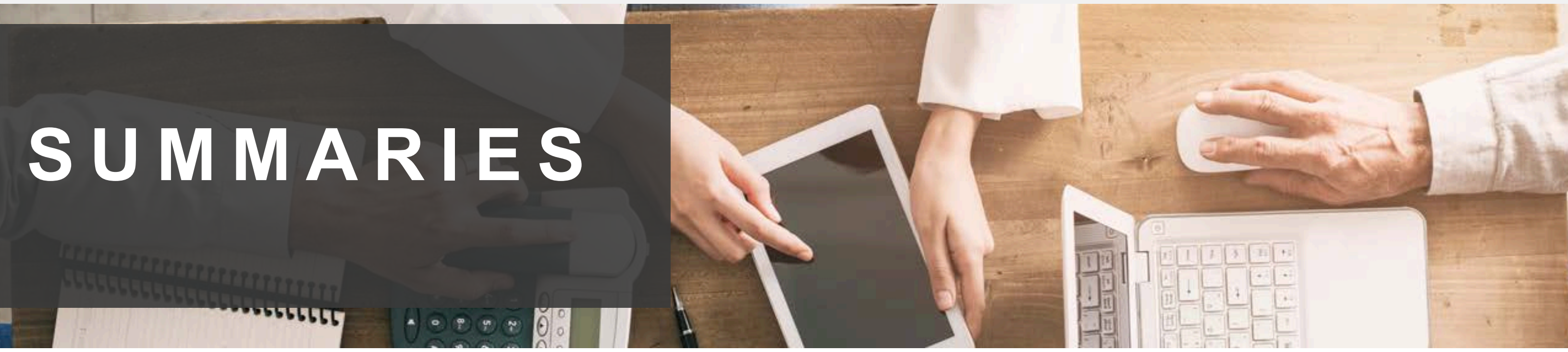


SUMMARIES

MEDICAL DEVICES

Approaching us with numerous financial hurdles, the owner of a medical device company benefited immensely from our MSO strategy by achieving an $850K tax deferral in the first year and continued to see savings annually. We directed $500K from the tax deferral to fund life insurance through the MSO, provided a revolving line of credit for the owner’s two companies, and efficiently managed their retained earnings. Our tailored solutions addressed the lack of a buy/sell agreement or funding vehicle and helped secured the owner's financial future by strengthening business operations.

Topics:

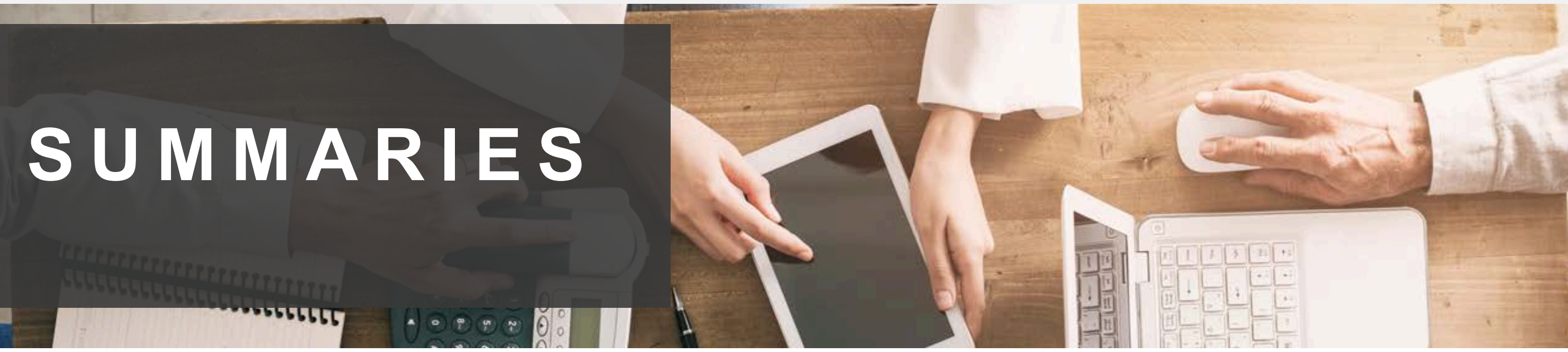
- Key-Man Insurance
- Retained Earnings
- Business credit line
- Split-Dollar
- Utilizing MSO for Tax Deferrals
- Managing profits
- Two Operating Companies
- Buy/Sell Fundings

REAL ESTATE

A real estate developer with a $100 million net worth and $20 million annual net income faced significant tax and estate planning challenges. Guardian Tax Consultants implemented the MSO strategy for this company, which resulted in the company experiencing $2.8 million in annual tax savings, optimized estate planning, and secured financial stability for the client's enterprises and legacy. This comprehensive solution ensured the smooth transfer of the business to the client's children while enhancing overall financial health.

Topics:

- Depreciation
- Family Limited Partnership
- Split Dollar Loan
- Retained Earnings
- Utilizing MSO for Tax Deferrals
- Estate Freeze
- Asset Protection
- Capital Provision



SUMMARIES

HOME BUILDING SUPPLY

Guardian Tax Consultants helped a home building supply company overcome major financial and operational challenges. By implementing a Management Services Organization, they saved $420,000 in taxes, expanded to new markets, improved supply chain resilience, and secured estate planning. This strategic partnership ensured sustainable growth and stability for the business.

Topics:

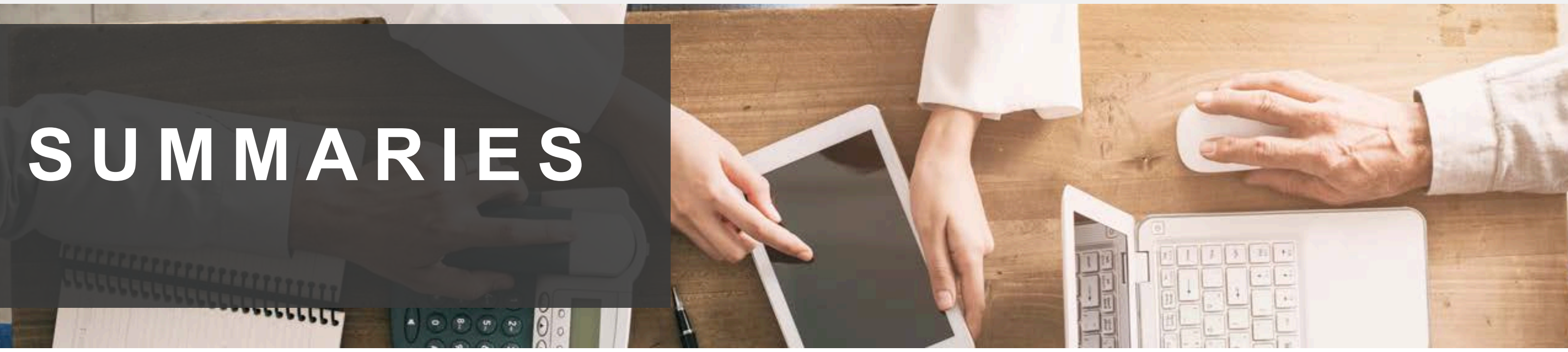
- Market Expansion
- Asset Protection
- Buy/Sell Funding
- Estate Planning
- Utilizing MSO for Tax Deferrals
- Line of Credit
- Medicare Tax
- Key Man

LAW FIRM

Guardian Tax Consultants restructured a law firm's financial operations using a Management Service Organization (MSO). The solution achieved substantial tax savings, improved cash flow, and protected assets. Additionally, it addressed the complexity of the owner leasing a building to the firm and other clients. By redistributing retained earnings as management fees, it mitigated future tax liabilities and provided better liquidity management. Key employees received retention plans, securing their commitment, and a robust succession plan was established, ensuring the firm's future stability and growth. This comprehensive approach resulted in a $900,000 tax deferral and significantly enhanced the firm's financial stability and net worth.

Topics:

- Employee Retention Plans (SERPs)
- Key Man
- Asset Protection
- Cash Balance Plan
- Utilizing MSO for Tax Deferrals
- Debt Repayment
- Retained Earnings
- Enhanced Liquidity



SUMMARIES

MEDICAL PRACTICE

An optometrist reduced $270,000 in capital gains taxes by transferring his building into an MSO before selling. Guardian Tax Consultants structured a cash balance plan for retirement, resulting in long-term tax savings and financial security, including a tax-free death benefit and future IRA income flexibility.

Topics:

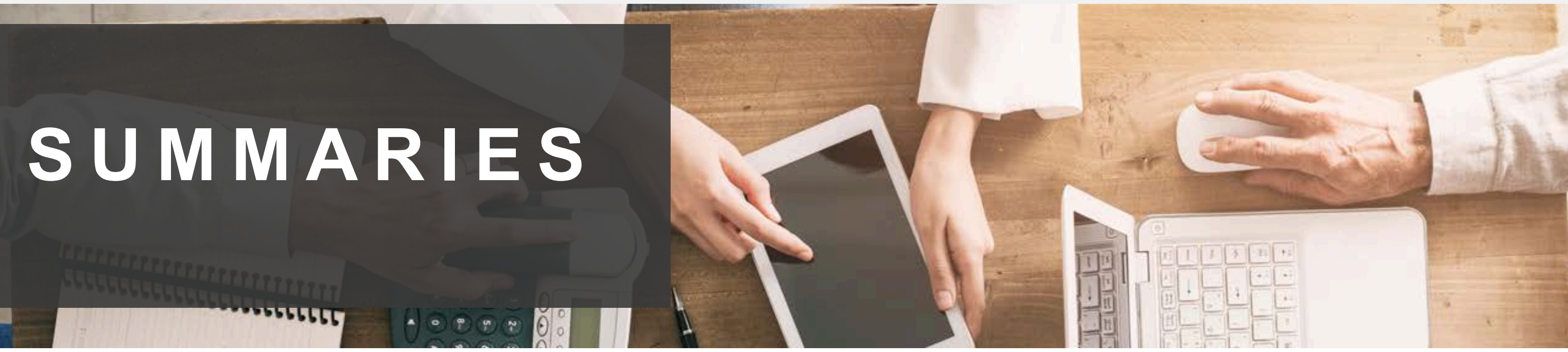
- Cash Balance Plan
- Transfer Real Estate to C-corp
- Real Estate sale in C-corp
- Reducing Capital Gains Taxes via MSO
- Uninsurable Issues
- Asset Protection

COMMERCIAL INSTALLATION

A business owner sold his company for $4.5M with Guardian’s help, saving $460K in taxes by structuring the sale through an MSO and a cash balance plan. This strategy increased EBITDA, provided a tax-free death benefit, and ensured flexible future tax management.

Topics:

- Cash Balance Plan
- Business Sale
- Earn-Out Provision
- Capital Gains Tax Reduction
- Structuring the Business Sale via MSO
- Asset Protection
- Consulting Income



SUMMARIES

PRIVATE WEALTH MANAGEMENT FIRM

Guardian Tax Consultants helped a Private Wealth Management Firm (RIA) achieve $831,000 in tax savings through MSO restructuring and QBID optimization. Retained cash funded self-written insurance policies, enhanced asset protection, reduced E&O costs, and improved business valuation, securing the firm’s long-term financial health and growth.

Topics:

- QBID Deduction
- Enhanced Liquidity
- Asset Protection
- Registered Investment Advisory

PRESERVING A $600M REAL ESTATE LEGACY

After a husband’s death, a $600M real estate estate faced $150M-$200M in taxes with liquidity challenges. Guardian implemented a C-corporation MSO, deferring $750K annually, and funded insurance premiums via tax savings. A split-dollar note repaid by the MSO (owned by the children) covered estate taxes, ensuring liquidity, continuity, and family wealth.

Topics:

- C-Corporation MSO
- Annual Tax Deferral
- Split-Dollar Life Insurance
- Wealth Distribution
- Estate Liquidity
- Legacy Planning

HOW IS THE TAX DEFERRAL CREATED

The difference in income between these two examples is $160,000, which can be used for funds or premiums.

Business as is

COMPANY

$1,000,000
Net income

37%

Taxes Owed

IRS

$370,000
Due

After Taxes

Business Owner

$630,000
Income

Funds

Premium

Business/ Enterprise Use

Insurance / Risk Transfer or Wealth Accumulation

Business with MSO Structure

COMPANY

$1,000,000
Net income

Management Fees Moved

MSO
Asset Protection

$1,000,000
Management Fees

21%

Taxes Owed

IRS

$210,000
Due

After Taxes

MSO
Asset Protection

$790,000
Income

Funds

Premium

Business/ Enterprise Use

Insurance / Risk Transfer or Wealth Accumulation

RETAIL SALES
CASE STUDY

THE PROBLEM

An entrepreneur owned a retail showroom specializing in new home construction and renovations, along with a warehouse for inventory supply. The business employed 30 staff members and generated roughly $12 million in gross revenue and $3 million in net income annually while being taxed as an S-corp. They faced issues like inadequate inventory space, supplier delivery delays, a lack of a succession and estate planning, and had no funding mechanism to cover estate taxes or preserve wealth for the owner’s heirs.

- **Inadequate Inventory Space:** The existing space was insufficient for new inventory.
- **Supplier Delays:** Suppliers took too long to deliver inventory.
- **Lack of Succession and Estate Plans:** There was no succession plan or estate plan in place.
- **Estate Tax and Wealth Preservation:** No funding mechanism was established to cover estate taxes and preserve wealth for heirs.

OUR OFFERED SOLUTION

The strategic overhaul provided by Guardian brought numerous benefits:

- **Establishing an MSO:** We created an MSO to manage retail locations and facilitate leasing a new warehouse and showroom with an option to buy the building at a significant discount at the end of the lease term. The client moved $2.8 Million in management fees to the MSO, providing annual savings of $550,000 from tax deferrals, which funded an insurance policy for estate tax liquidity.

- **Financial Strategies:** The management fees moved to the MSO also provided a line of credit enabling the client to purchase inventory swiftly and reduce delivery times, enhancing their competitive advantage. Part of the MSO funds were used to build out the new leased showroom, ensuring it met the business's needs and improved customer experience. The tax savings were reinvested to address estate planning needs, including funding insurance policies to cover estate tax liabilities.

CONCLUSION

Guardian's expertise in tax mitigation and financial structuring has been instrumental in securing their client’s financial future. Guardian's innovative MSO strategy not only provided immediate financial relief through significant tax deferral but also set the client up for sustained growth and stability. The ability to purchase the new showroom and warehouse space at a discount, coupled with improved operational efficiencies, underscored the transformative impact of Guardian’s financial strategies, ensuring long-term success and estate protection.

IMPACT AND RESULTS

The strategic overhaul provided by Guardian brought numerous benefits including:

- **Financial Benefits:** Tax savings of $550,000 annually were utilized to fund an insurance policy for estate tax liquidity. Additional capital improved inventory purchase efficiency, resulting in faster delivery times.

- **Business Growth:** Increased business revenue by 25% due to improved inventory management and faster delivery. On track to sufficient earnings to purchase the leased building at the end of the lease term. The build-out of the new showroom enhanced customer experience and operational efficiency.

- **Long-term Gains:** Addressed liquidity needs for inventory. Secured estate and funded necessary insurance policies ensuring long-term financial stability. The accumulated earnings in the MSO, which were taxed as a C corporation, grew over several years, providing the funds to purchase the building at the end of the lease term.

ENGINEERING SERVICES
CASE STUDY

THE PROBLEM

The proprietors of an engineering firm, who were equal 50% / 50% partners, managed three operating entities for design, installation, and service, employing significant number of staff. Their business earned $15 million in net income and was taxed as a PLLC. They faced challenges such as high safety risks, asset commingling issues, director retention, lack of a structured exit plan, and no funding mechanism for their buy-sell agreement.

- **Safety Risks:** High-risk work involving hazardous conditions potentially leading to severe accidents.
- **Asset Commingling:** Employees worked across all three companies, paid from one without proper documentation, risking asset commingling.
- **Director Retention:** Directors were paid bonuses based on profits, risking turnover during low-profit years.
- **Exit Strategy:** Lack of a structured exit plan, especially critical given the age difference between the two owners.
- **Insurance Coverage:** No insurance policy to fund a buy-sell agreement.

OUR OFFERED SOLUTION

Upon engaging Guardian, they implemented an MSO strategy that transformed their business operations significantly. Key steps and outcomes included:

- **Employee Restructuring**: Established an LLC owned by the MSO to centralize employee management, mitigating accident risks and protecting their operating companies' capital, and enhancing efficiency in resource and labor hour utilization across all entities.
- **Financial Benefits**: Each business owner saved $2.5 million annually in tax deferral. These savings were reinvested to purchase life insurance policies, funding their buy-sell agreements and providing tax-free retirement income. The insurance policies, held by a trust using a special purpose LLC, also were protected from estate taxes.
- **Director Retention Strategy:** Implemented tax-deferred funding for critical directors with a five-year vesting period, ensuring their retention.
- **Liquidity and Cash Flow Management:** Set up a revolving line of credit in the MSO for inventory purchases, smoothing out cash flow differences between accounts receivable and payable. Enhanced liquidity and protected retained earnings, assets, and cash within each operating company.
- **Comprehensive Solution:** Established SERPs to retain key employees. All insurance premiums were covered by annual savings of tax deferral. The MSO provided a structured exit plan, ensuring estate tax protection and securing their firm's future.

IMPACT AND RESULTS

The strategic overhaul provided by Guardian brought numerous benefits including:

- **Tax Savings:** $5 million in annual tax deferral.
- **Asset Protection**: Safeguarded business assets and growing retained earnings.
- **Financial Stability:** Improved cash flow and liquidity.
- **Insurance Funding:** Ensured buy-sell operation funding and key employee retention.
- **Future Planning:** Enabled structured exit planning and retirement solutions.

Guardian's expertise in tax mitigation and financial structuring has been instrumental in securing their firm's financial future. Guardian's innovative solutions have not only provided immediate financial relief but also set them up for sustained growth and stability.

CONCLUSION

Their partnership with Guardian has been transformative. Guardian's professional, knowledgeable, and client-focused approach has exceeded their expectations, and they confidently recommend Guardian's services to other businesses facing similar challenges.

MEDICAL DEVICES

CASE STUDY

THE PROBLEM

A pair of business owners ran two successful medical device companies, with one being the majority partner and the other the minority partner. The businesses generated a gross income of $45 million and a net income of $8 million, taxed as an LLC. They faced several significant business challenges, including a lack of a buy/sell agreement for their partner, no proper funding vehicle for the buy/sell agreement, ineffective management of growing retained earnings, and a need for estate tax funding without compromising liquidity.

- **Funding Issues**: They didn't have a proper funding vehicle for the buy/sell agreement.
- **Retained Earnings Management:** They were dealing with growing retained earnings without an effective management plan.
- **Estate Tax Funding:** They needed a solution for estate tax funding without compromising their liquidity.

OUR OFFERED SOLUTION

Discovering Guardian was a game-changer for them. Guardian introduced them to the Management Services Organization (MSO) strategy, which provided innovative solutions to their financial issues. The key steps and outcomes included:

- **MSO Implementation:** They established an MSO and moved $5M in management fees, they were able to save $850,000 in tax deferral in the first year alone, with continued annual tax deferral savings.
- **Life Insurance Funding:** Using $500,000 from the tax deferral, they funded a life insurance policy paid by the MSO using split dollar loans. This policy provided key man insurance and was owned by a trust, adding an extra layer of asset protection, and pulling the policy outside of their taxable estate.
- **Split-Dollar Plan:** Guardian’s strategic approach ensured that they avoided double taxation by utilizing a split-dollar plan to transfer funds from the MSO to the insurance policy.
- **Revolving Line of Credit:** Guardian helped establish a revolving line of credit from the MSO to their two medical companies. This move effectively managed their retained earnings and provided the necessary liquidity to continue thriving.

IMPACT AND RESULTS

The strategic overhaul provided by Guardian brought numerous benefits:

- **Tax Savings**: Achieved $850,000 in annual tax savings and deferral.
- **Asset Protection:** The life insurance policy was protected from estate taxes.
- **Financial Stability:** Improved cash flow and liquidity through the revolving line of credit.
- **Insurance Funding:** Ensured funding for key man insurance and additional asset protection.

Guardian's expertise and innovative strategies have been instrumental in addressing their financial challenges, securing their business's future, and optimizing their financial management.

CONCLUSION

Their partnership with Guardian has been transformative. Guardian's professional, knowledgeable, and client-focused approach has exceeded their expectations. They highly recommend Guardian's services to any business owner seeking comprehensive tax and financial solutions.

REAL ESTATE
CASE STUDY

THE PROBLEM

A prominent real estate developer with a significant net worth of approximately $100 million and an annual net income of $20 million faced numerous financial challenges. The client operated several companies involved in land development, home building, and commercial property management. These ventures presented complexities such as managing bank loans, economic fluctuations, and substantial tax liabilities. Additionally, the client was concerned about estate preservation and liquidity, aiming to efficiently transfer his business legacy to his heirs.

Key challenges included:

- **Variability in depreciation:** The annual fluctuation in depreciation expenses due to differing asset purchases, remaining useful life, and use of accelerated depreciation methods.
- **Bank Loans and Economic Fluctuations**: Frequent negotiations and changes in collateral, interest rates, and demand for properties.
- **Tax Liabilities:** Exposure to additional Medicare tax due to LLC structures. Additionally, depreciated assets were increasing in value while their tax basis declined, resulting in significant future taxes when transferred or sold.
- **Estate Planning Concerns:** Need for estate planning and liquidity as the client's estate was expected to grow to nearly $400 million.
- **Legacy Transfer:** Desire to efficiently pass on the business and assets to his heirs.
- **Retained Earnings Risk:** Growing retained earnings in high-profit years.
- **Asset Protection:** Multiple entities exposed potential risk and commingling of assets.

OUR OFFERED SOLUTION

Guardian Tax Consultants addressed the client's needs through a comprehensive Management Service Organization (MSO) strategy. This strategy involved creating an MSO to service the operating companies, thus optimizing tax efficiency and providing a robust financial framework.

Key solutions included:

- **MSO Formation:** Created an MSO to service operating companies, benefiting from a 21% corporate tax rate.
- **Family Limited Partnership:** Established to transfer assets to the client's children in a tax-efficient manner.
- **Estate Freeze:** Proposed to lock in the value of the estate and minimize future tax exposure.
- **Split-Dollar Loan Strategy:** Funded life insurance policies to address estate tax liquidity needs.
- **Capital Provision:** Provided lending capital for business operations and equipment purchases, maximizing depreciation benefits.

CONCLUSION

Guardian Tax Consultants' innovative MSO strategy provided the real estate developer with a robust financial framework, addressing both immediate tax savings and long-term estate planning needs. The client successfully reduced annual tax liabilities, ensured the smooth transfer of his business legacy to his children, and fortified the financial health of his enterprises.

IMPACT AND RESULTS

The Introduction of the MSO led to significant positive impacts:

- **Annual Tax Savings:** Approximately $2.8 million saved annually.
- **Enhanced Cash Flow:** Improved liquidity through optimized financial structuring.
- **Reduced Reliance on Bank Financing:** Capital from the MSO reduced the need for less favorable bank loans.
- **Efficient Estate Planning:** Secure and tax-efficient transfer of the business and assets to the client's children.
- **Long-term Financial Stability:** Ensured the financial health of the client's enterprises and legacy.
- **Retained Earnings:** Managed growing retained earnings effectively, reducing risk during high-profit years.
- **Asset Protection:** Enhanced protection through proper structuring, reducing exposure and risk from commingling of assets.
- **Reduced Reliance on Depreciation:** deploy tax mitigation strategies to decrease dependence on depreciation.

HOME BUILDING SUPPLY

CASE STUDY

THE PROBLEM

The clients, a business in the home building industry, supplying materials and equipment for both initial homebuilding and renovations, faced multiple challenges. Their business was generating roughly $12 million in gross revenues with a net income close to $2.8 million. However, they encountered several key issues:

- **Expansion Needs:** The need to expand to new locations while physically delivering supplies to sites.
- **Market Growth:** Market growth beyond their founding location.
- **Tax Structure:** Excessive Additional Medicare tax due to their LLC structure.
- **Entity Structure:** Lack of additional entities for subsidiaries where they intended to expand.
- **Supply Chain Issues:** Inflationary pressures and supply shocks from COVID-19 affecting their wholesale materials acquisition.
- **Financial Structure:** An outdated financial structure resulting in an unnecessary tax rate.
- **Insurance Coverage:** Absence of key man insurance policies for both co-owners.
- **Estate Planning:** Incomplete estate planning with significant business growth.

OUR OFFERED SOLUTION

Guardian Tax Consultants conducted a comprehensive evaluation through their team of professional CPAs and tax attorneys, recommending the implementation of a Management Services Organization (MSO). This strategic move included:

- **Tax Savings:** Implementing the MSO and transferring over $2 million in management fees in the first year, leading to approximately $420,000 in tax savings/deferral.
- **Insurance Policies:** Utilizing the tax savings to purchase keyman policies for both owners and additional survivorship policies for their children.
- **Expansion:** Establishing a new wholesale retail location out of state.
- **Inventory Management**: Setting up a line of credit to maintain in-house supply for delivery, mitigating supply shocks.
- **Operational Efficiency:** Gaining efficiency through resource sharing by servicing operating companies under a single management entity.
- **Asset Protection:** Protecting assets while mitigating increased retained earnings through management fees.
- **Estate Planning:** Integrating the management company into their estate plan for future asset management or business transition.

IMPACT AND RESULTS

The Introduction of the MSO led to significant positive impacts:

- **Tax Savings:** Realization of substantial tax savings and improved cash flow.
- **Financial Structure:** Enhanced financial structure allowing for the expansion into new markets.
- **Supply Chain Resilience:** Improved supply chain resilience through better inventory management.
- **Risk Management:** Effective estate planning and risk management with appropriate insurance coverage.
- **Operational Efficiency:** Streamlined operations and reduced tax liabilities, supporting sustainable business growth and stability.

CONCLUSION

Through Guardian Tax Consultants' innovative and expert approach, the client successfully navigated their financial and operational challenges, achieving greater tax efficiency, improved asset protection, and a robust expansion strategy. The tailored solutions provided by Guardian not only addressed immediate concerns but also set the foundation for long-term business success and legacy planning.

LAW FIRM
CASE STUDY

THE PROBLEM

The law firm, known for its litigation specialty and consulting services, faced several financial and operational challenges.

- **High Tax Burden:** The primary owner paid significant federal income taxes in years with large settlements.

- **Leased Building:** One of the law firm owners owned a building that he leased to his company and also leased multiple offices within it to other clients, adding liability risk and co-mingling risk.

- **Cash Flow Variability:** Net income ranged from $2-$5 million annually, with lower liquidity in years with fewer settlements.

- **Employee Retention:** No plans were in place to retain high-performing attorneys, risking their recruitment by other firms.

- **Lack of Succession Planning:** The owner, in his early 50s, had no succession or estate planning, endangering the firm's future stability.

- **Retained Earnings Risk:** The operating company accumulated large amounts of retained earnings during years with large settlements, which had to be held at risk to prepare for liquidity challenges in years with lower settlements.

OUR OFFERED SOLUTION

Guardian Tax Consultants implemented a Management Service Organization (MSO) to address these issues. The MSO strategy included:

- **Enhanced Liquidity:** $4.5 million in management fees were paid to the MSO and created a $900,000 tax deferral, which funded various financial plans.
- **Employee Retention Plans:** Key employees received retirement plans with vesting schedules, ensuring their long-term commitment.
- **Keyman Insurance:** A keyman policy funded by the tax savings provided additional security and financial stability.
- **Asset Protection:** The MSO separated the operating company from the property management, reducing risks and protecting assets.
- **Multiple Tax Mitigation Strategies:** In addition to the Management Service Organization (MSO), Guardian utilized a cash balance plan to achieve the lowest effective tax rate for the client's circumstances.

CONCLUSION

By implementing the MSO strategy, Guardian Tax Consultants provided the law firm with enhanced tax efficiency, asset protection, and a robust succession plan. This strategic restructuring not only optimized the firm's financial performance but also secured the future of its key employees and ensured the continued success of the practice beyond the tenure of its primary owner.

IMPACT AND RESULTS

The MSO strategy had a transformative impact on the law firm's financial health and operational efficiency:

- **Significant Tax Savings:** The firm deferred $900,000 in taxes, improving overall profitability.
- **Improved Cash Flow:** The creation of a line of credit within the MSO provided a reserve for years with lower settlements.
- **Secured Employee Loyalty:** Key employees received access to valuable retirement benefits, reducing the risk of losing top talent.
- **Debt Repayment:** Funds loaned were used to pay down the office building's debt with more favorable tax conditions.
- **Operational Efficiency:** The firm optimized its use of capital, ensuring better liquidity management during lean years.
- **Future Stability:** A comprehensive buy-sell and succession plan was established, ensuring the firm's continuity and future growth.

CASE **STUDY**

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MEDICAL PRACTICE

CASE STUDY

THE PROBLEM

The client, an optometrist aged 69, transitioned his practice to a concierge model in 2019 and planned to work for another five years. His largest asset was his office building, leased to third party, valued at $1.5 million, with a basis of $500,000. The impending sale of the building would expose him to $270,000 in capital gains tax with depreciation recapture, as well as ordinary income taxes on his current year wages of $250,000. His personal net worth and income were highly concentrated in the business, and his retirement plan expectations were dependent on the sale of his business and building.

- **Tax Exposure**: Impending sale of the building would expose him to $270,000 in capital gains tax with depreciation recapture, and ordinary income taxes on current year wages of $250,000
- **Financial Concentration:** Personal net worth and income highly concentrated in the business
- **Retirement Planning:** Retirement plan expectations dependent on the sale of his business and building
- **Business Exit:** The business itself was not sellable, so he needed to sell the commercial building he had invested in over many years to exit the business

OUR OFFERED SOLUTION

Guardian Tax Consultants implemented a Management Service Organization (MSO) to address these issues. The MSO strategy included:

- **Ownership Transfer:** Advised transferring the building's ownership tax-free into an MSO, taxed as a C-corporation, two years before selling it
- **Building Sale:** Sold the building held within the MSO C-corporation, resulting in a net capital gain of $750,000
- **Cash Balance Plan:** Established a cash balance plan within the MSO, with a tax deductible contribution of $750,000 and subsequent smaller contributions over the next four years of concierge wages
- **Tax Elimination:** Eliminated all personal capital gains tax ($270,000) from the building sale by having the asset held by a corporation
- **Investment Strategy:** Invested funds in a cash balance plan with life insurance and other traditional investments, designed to terminate at age 75 and then roll over to an IRA for retirement income
- **Insurability Issue:** Insured the spouse on the cash balance plan due to the doctor's insurability issues

IMPACT AND RESULTS

The MSO strategy had a transformative impact on the Medical Practice's financial health and operational efficiency:

- **Tax Reduction:** Reduced annual taxes until full retirement
- **Retirement Plan:** Provided a structured plan for retirement income by rolling over the cash balance plan to an IRA at age 75
- **Death Benefit:** Delivered a death benefit inside the insurance policy, with a portion being tax-free to heirs
- **Future Tax Flexibility:** Allowed flexibility in controlling future taxes and provided financial security for retirement
- **Deferred Gains Growth:** Deferred $270,000 in capital gains into a cash balance plan that grew at 8% over six years, resulting in $429,000 that the client would not have otherwise had

CONCLUSION

Through Guardian Tax Consultants' strategic advice and implementation of the MSO and cash balance plan, the optometrist effectively mitigated his tax liabilities and established a robust retirement plan. This comprehensive solution ensured both immediate tax savings and long-term financial security, addressing the client’s immediate and future needs.

CASE **STUDY**

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COMMERCIAL INSTALLATION

CASE STUDY

THE PROBLEM

The client, a business owner aged 62, purchased a Commercial installation and service company five years ago and implemented an MSO three years later. In 2024, he decided to sell the company for approximately $4.5 million, with an earn-out provision. The sale exposed him to a significant capital gains tax, approximately $4 million at a rate of 23%.

- **Business Sale:** Decided to sell the company in 2024 for approximately $4.5 million, with an earn-out provision
- **Tax Exposure:** Faced a significant capital gains tax of approximately $4 million at a rate of 23%
- **Earn-Out Provision:** The earn-out provision was based on meeting an EBITDA requirement, exposing the client to the risk of not earning the full earn-out

OUR OFFERED SOLUTION

Guardian Tax Consultants implemented a Management Service Organization (MSO) to address these issues. The MSO strategy included:

- **Sale Structure:** Structured the sale to be 50% asset-based and 50% consulting income paid to the MSO taxed as a c-corporation
- **Buyer Protection:** Help protected the earn-out provision as the management fee not impact the operating companies EBITA
- **Consulting Income:** Paid consulting income of approximately $2 million to the MSO over the earn-out period
- **Cash Balance Plan:** Set up a cash balance plan within the MSO taxed as a c-corporation with maximum allowable contributions over the first three policy plan years
- **Tax Reduction:** Reduced capital gains tax by $460,000 by restructuring $2 million of capital gains as consulting income, moving it into the C-corporation, and then into the cash balance plan

IMPACT AND RESULTS

The MSO strategy had a transformative impact on the Commercial installation and service's financial health and operational efficiency:

- **EBITDA Increase:** Removed the client's wages from the Operating Company, increasing EBITDA
- **Risk Reduction:** Reduced the risk of not receiving his earn-out
- **Death Benefit:** Provided a death benefit within the insurance policy, with a portion being tax-free to heirs
- **Future Tax Flexibility**: Distributed remaining growth in the cash balance plan over life expectancy through an IRA
- **Long-Term Benefits**: Allowed flexibility in controlling future taxes and provided long-term financial benefits and stability
- **Deferred Gains Growth:** Deferred $460,000 in capital gains into a cash balance plan that grew at 8% over six years, resulting in $730,000 that the client would not have otherwise had

CONCLUSION

Guardian Tax Consultants successfully implemented a tax mitigation strategy through an MSO and cash balance plan, ensuring the client maximized his financial gains from the business sale while minimizing tax liabilities. This comprehensive approach provided both immediate and long-term financial security for the client, addressing his needs throughout the sale and beyond.

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.

PRESERVING A $600M REAL ESTATE LEGACY

CASE STUDY

THE PROBLEM

A married couple built a $600 million real estate portfolio over their lifetime. After the husband's death, the 65-year-old surviving spouse inherited the estate. Despite generating $8 million in annual net income, the estate faced significant liquidity challenges, making it difficult to meet an estimated $150M–$200M in estate taxes. The trust structure lacked tax-efficient strategies, adding to the financial strain.

- **Liquidity Challenge:** Limited cash flow to cover substantial estate taxes.
- **Tax Inefficiencies:** Absence of mechanisms for deductions, credits, and offsets.
- **Family Involvement:** Four children actively managing the properties sought a plan to:
  - Preserve the estate's long-term value.
  - Reduce tax liabilities.
  - Ensure equitable wealth distribution.
  - Maintain operational liquidity.

OUR OFFERED SOLUTION

1. **Tax-Efficient MSO Setup:**
   - An MSO taxed as a C-corporation was established to oversee the real estate portfolio.
   - Of the $8 million annual net income, $3 million was allocated as deductible management fees to the MSO. This reduced taxable income at the operating level and deferred approximately $750,000 in taxes annually.
2. **Split-Dollar Life Insurance Arrangement:**
   - A life insurance policy with a guaranteed death benefit was procured to cover estate tax liabilities.
   - Premiums for the policy were primarily funded using the tax deferrals generated by the MSO structure.
   - A split-dollar agreement was established, allowing the C-corporation (MSO) to pay the premiums and accrue an AFR (Applicable Federal Rate) interest-bearing note.
   - Upon the surviving spouse's passing, the note's principal was repaid to the MSO, which was owned by the children, ensuring a seamless transfer of wealth.
3. **Family Engagement and Ownership:**
   - All four children were employed by and held ownership in the MSO, aligning their efforts in property management with wealth distribution.
4. **Depreciation and Loss Optimization:**
   - Annual property depreciation of $1.4 million was optimized, further reducing taxable income and maximizing financial efficiency.

IMPACT AND RESULTS

- Estate Tax Liquidity: The insurance policy provided guaranteed liquidity to cover estate taxes, eliminating the need to liquidate real estate assets under unfavorable conditions.

- Annual Tax Savings: The MSO strategy deferred $750,000 in taxes annually by leveraging a 21% corporate tax rate instead of the 37% pass-through rate.

- Predictable and Sustainable Costs: Insurance premiums were funded through deferred taxes, ensuring no additional strain on the estate's cash flow.

- Generational Wealth and Legacy Planning: The MSO allowed the family to manage the estate properties cohesively while retaining long-term ownership and operational control. Upon the spouse's passing, the note repayment strengthened the MSO's financial position, benefiting the children as owners.

- Risk Mitigation and Flexibility: The split-dollar arrangement and insurance policy added flexibility and stability, ensuring financial protection regardless of future estate tax law changes.

CONCLUSION

By implementing a tax-efficient MSO structure, optimizing deductions, and leveraging a split-dollar insurance strategy, Guardian Tax Consultants transformed a significant estate tax challenge into a manageable and sustainable financial solution. This plan safeguarded the estate's liquidity, preserved family wealth, and provided a predictable framework for intergenerational wealth management. The surviving spouse and children could confidently move forward, knowing the family's financial legacy was secure.

GET IN TOUCH

Where to send your Fact Finder?

Jake Valente

615-333-7653

jake@guardianswp.com

guardiantaxconsultants.com