

Business Ownership & Estate Planning

How entrepreneurs should structure business ownership for asset protection, succession planning, and tax-efficient wealth transfer.

What's Inside

1. Why Business Owners Need Estate Planning
2. The Business Succession Crisis
3. Entity Structure and Estate Planning Alignment
4. Operating Agreements and Buy-Sell Provisions
5. Holding Company Architecture
6. Key Person and Business Continuity Planning
7. Tax-Efficient Transfer Strategies
8. The Multi-Entity Framework
9. Your Next Step

Why Business Owners Need Estate Planning

If you own a business, your estate plan is not just about your family — it is about employees, clients, partners, vendors, and the continuation of everything you have built. Without a proper plan, your business may not survive your death or incapacity.

Consider the consequences of dying without a business succession plan:

- Your family may be forced to sell the business at a fraction of its value
- Partners may dispute ownership or control
- Employees may leave, destabilizing operations
- Clients and contracts may be lost
- Tax exposure can consume up to 40% of the business value
- Probate can freeze business operations for months or years

70% of family-owned businesses do not survive the transition from the first generation to the second. 90% do not survive to the third generation. The primary reason is inadequate succession planning.

The Business Succession Crisis

Succession planning is not just about who takes over — it is about **how** the transition occurs, **when** it begins, and **what structures** are in place to support it.

A comprehensive succession plan addresses:

MANAGEMENT SUCCESSION

Who will make day-to-day decisions? Is there a trained successor? If your children are involved, have roles and authority been clearly defined? If no family member is qualified, is there a plan for professional management or sale?

OWNERSHIP SUCCESSION

How will ownership transfer? Will shares or membership interests be gifted, sold, or inherited? Over what timeline? Ownership and management succession do not have to happen simultaneously — in fact, separating them is often the smartest approach.

FINANCIAL SUCCESSION

How will the transition be funded? Life insurance, installment sales, earnout agreements, and leveraged buyouts are all tools. The financing structure determines whether the business survives the transfer or collapses under the weight of the transaction.

Entity Structure and Estate Planning Alignment

Your business entity type directly impacts your estate plan. Each structure has different implications:

Entity	Estate Planning Impact	Key Consideration
Sole Proprietorship	Highest risk — no separation from owner	Must be restructured before planning
LLC	Membership interests transfer via trust	Operating agreement must permit transfer
S Corporation	Shares transfer but trust must qualify as S-corp shareholder	Wrong trust type terminates S election

C Corporation	Shares transfer freely but double taxation risk	Consider stepped-up basis at death
Partnership	Partnership agreement controls transfer	Must coordinate with all partners

Operating Agreements and Buy-Sell Provisions

Your operating agreement (for LLCs) or bylaws (for corporations) must be aligned with your estate plan. Critical provisions include:

- **Transfer restrictions** — specify who can receive membership interests or shares upon death
- **Buy-sell agreement** — mandatory purchase provisions triggered by death, disability, or exit
- **Valuation methodology** — pre-agreed formula or independent appraisal process to prevent disputes
- **Funding mechanism** — life insurance, installment payments, or company redemption to fund the buyout
- **Right of first refusal** — gives remaining owners the ability to purchase before outside parties

Without a buy-sell agreement, your family could inherit a minority interest in a business controlled by partners who have no obligation to pay dividends, provide employment, or buy them out. This is one of the most common wealth-destruction scenarios in estate planning.

Holding Company Architecture

For business owners with multiple ventures, a holding company structure separates asset ownership from business operations:

Level 1: Trust — an irrevocable trust or dynasty trust owns 100% of the holding company. This removes the holding company from your personal estate for estate tax purposes while allowing you to maintain control as trustee.

Level 2: Holding Company — a holding LLC or corporation owns the membership interests or shares of each operating entity. It receives distributions, holds intellectual property, and owns major assets like

real estate.

Level 3: Operating Companies — each business line operates through its own LLC or corporation. Liability stays at this level and cannot reach up to the holding company or trust.

This architecture provides asset protection, tax efficiency, centralized management, and clean succession — the holding company and its subsidiaries transfer as a single unit through the trust.

Key Person and Business Continuity

Every business owner should have:

- **Key person life insurance** — provides capital to the business to survive the loss of a critical owner or executive
- **Emergency operations plan** — who signs checks, who talks to clients, who has access to systems
- **Power of attorney for business** — grants someone authority to act for the business if you are incapacitated
- **Digital asset plan** — access credentials, cryptocurrency wallets, domain registrations, software accounts

Tax-Efficient Transfer Strategies

Transferring a business to the next generation without proper planning can trigger substantial tax obligations. Key strategies include:

VALUATION DISCOUNTS

Minority interests and interests lacking marketability can be legitimately discounted for gift and estate tax purposes, sometimes by 25-40%. This allows you to transfer more value at a lower tax cost.

GRANTOR RETAINED ANNUITY TRUST (GRAT)

A GRAT allows you to transfer appreciated business interests to the next generation while retaining an annuity payment. If the business grows faster than the IRS assumed rate, the excess passes tax-free.

INSTALLMENT SALE TO AN INTENTIONALLY DEFECTIVE GRANTOR TRUST

You sell business interests to a trust in exchange for an installment note. The sale is not recognized for income tax purposes (because the trust is a grantor trust), but it removes the growth from your estate. This is one of the most powerful transfer techniques for high-growth businesses.

The Multi-Entity Framework

At Tauro Advisory Group, we build comprehensive entity architectures that integrate estate planning, asset protection, and business structuring into a unified system. A typical framework includes:

- Dynasty trust or irrevocable trust at the top of the structure
- Holding company owned by the trust
- Operating entities beneath the holding company
- Management company for centralized services
- UCC filings for additional creditor protection
- Comprehensive operating agreements with succession provisions
- Trust documents with trustee succession and distribution schedules

Every document, every entity, and every provision is designed to work together. This is not piecemeal planning — it is institutional-grade architecture.

Ready to Protect Your Legacy?

Schedule a private strategy session with our advisory team.

During your consultation, we will:

- Review your current estate structure and identify gaps
- Discuss your family, business, and wealth protection goals
 - Outline a custom strategy tailored to your situation
 - Provide clear pricing with no hidden fees

No obligation. No pressure. Just clarity.

→ **BOOK YOUR PRIVATE STRATEGY SESSION**

tauroadvisorygroup.com

888-958-2876 | info@tauroadvisorygroup.com

Who This Is For:

Entrepreneurs, business owners, medical professionals, real estate investors, high-net-worth families, and anyone serious about protecting what they've built and ensuring a lasting legacy.

TAURO ADVISORY GROUP INC.

tauroadvisorygroup.com

888-958-2876 | info@tauroadvisorygroup.com

Miami, FL | Serving All 50 States

Building legacies beyond generations.