
How Two Co-Founders Protected \$13.9M Using QSBS Trust Planning



Promissory Client Case Study

How two co-founders of a high-growth technology company used trust stacking to protect millions in capital gains well ahead of a ~\$300M acquisition — completed in 3 weeks.

Client	Two co-founders of a high-growth technology company
Acquisition value	~\$300 million
Engagement to funded trusts	3 weeks
Trusts created	4 irrevocable trusts (2 per founder)
Tax Savings	\$13.9M across 2 co-founders
Trust structures	SLANT Spousal Lifetime Access Non-Grantor Trust Non-Grantor Children's Trust Non-Grantor Future Children's Trust
Trustee	Crawford Trust
Post-liquidity advisors	MorganStanley, Twin Focus Advisors
Investment advisory model	Directed trust (interim IA at formation) → delegated model post-liquidity for MorganStanley → Twin Focus directly named in trust as IA

Background

The clients are co-founders of a venture-backed technology company that was acquired for approximately \$300 million. At the time they engaged Promissory, the company was QSBS-eligible and acquisition conversations were expected to begin within the next 12 months.

Neither founder had taken prior QSBS planning steps, other than confirming the QSBS eligibility of their stock. Their engagement raised several standard and non-standard questions: HEMS distribution options, visa status constraints, and adverse beneficiary conditions. Promissory completed the full setup — valuations, trust drafting, and funding — in weeks.

The Challenge

- Compressed timeline: The expectation of an acquisition within 12 months meant swift decisions were needed to avoid forfeiting the multiplied exclusions
- No pre-existing wealth management relationship: Neither founder had an RIA or wirehouse advisor in place pre-liquidity. Promissory coordinated an interim investment advisor so the trusts were properly constituted from day one — no relationship required to get started.
- Post-liquidity advisor transition: After the acquisition Promissory helped facilitate introductions and both founders engaged their respective advisors, both a wirehouse advisor and a boutique RIA: MorganStanley and Twin Focus Advisors respectively. For MorganStanley we transitioned from a directed trust to a delegated model requiring legal amendments — which Promissory managed end-to-end.
- Promissory also facilitated swapping the interim investment advisor for a boutique advisory firm who was comfortable with assuming the role of investment advisor in a directed trust.

Trust Structures & Strategic Foundation

Each co-founder created two irrevocable trusts, designed to stack QSBS exemptions beyond each founder's individual \$10M federal limit.

- Spousal Lifetime Access Non-Grantor Trust (SLANT): A non-grantor trust that removes shares from the founder's estate while allowing indirect access via a spouse beneficiary. The non-grantor classification is what enables a separate QSBS exclusion.
- Non-Grantor Children's Trust: An irrevocable trust benefiting children (or future children), with a second, independent \$10M QSBS exclusion.
- A Future Children's Non-Grantor Trust: one of the founders did not yet have children was is planning to in the near future. We were able to create a future children's trust that names a current beneficiary with a limited interest in the trust. Once their first child is born, they will replace the current beneficiary as primary.

Trusts were custodied in Nevada, which offers superior asset protection, friendly decanting rules, no state income tax, and directed trust statutes that preserve your investment advisor role while allowing structures to evolve as value grows.



The Directed and Delegated Advisor Model

The transition from a directed to a delegated trust structure was a key feature of this engagement, designed to accommodate the requirements of major wirehouse firms.

How it works

In a directed trust, the investment advisor role is named explicitly in the trust documents. For wirehouse advisors we developed a compliance friendly version of the directed trust where an intermediary investment advisor is named in the trust. That intermediary advisor then delegates the investment advisor role to the wirehouse advisor. This allows the trust to remain a directed trust under the trustee for a more favorable fee model, while still giving the wirehouse advisor full management and control over the assets, another huge fee savings over a typical delegated structure that charges 10-50 BPS or more.

Pre-Liquidity

At trust creation, an interim investment advisor is appointed so the trusts are properly constituted from day one — founders didn't need an existing wealth management relationship to get started. But if you're an advisor with existing founder clients, you can step directly into that role. As a Promissory advisor partner, you maintain full visibility into your clients' trust documents and planning activity through our advisor dashboard — so you're never out of the loop. Whether you're bringing a client to us or we're introducing one to you, you stay in the relationship.

Post-Liquidity Transition

After the acquisition closed, each founder engaged their preferred wirehouse or boutique advisor. Promissory managed the full transition: removal of the interim advisor, legal amendments to convert to an intermediary delegated structure, and appointment of successor investment advisors. The clients experienced no gaps in trust management or legal standing.



Total Savings

By stacking QSBS exemptions across two trusts, one founder reduced a projected ~\$7.5M tax liability to under \$250k — saving over \$7M in a single engagement. Across both founders and four trusts, combined savings neared \$14M.

Takeaways Per Founder

	Founder A	Founder B
State of Residence	MA	CA
State Tax Rate	5%	13.3%
State Recognizes QSBS	Yes	No
Trust Structures	SLANT + NGT for children	SLANT + NGT for future children
Shares Transferred	15,137,091	17,700,000
Value at Transfer	\$2.2M	\$2.6M
Total Gain to Founder	\$30M	\$30M
Value to Trust at Exit	\$15M	\$18M
Tax Savings to Trusts	\$4.2M	\$4.3M
Total Federal Savings Including personal exemption	\$6M	\$6.6M
Total State Savings	\$1.3M	\$0*
State Tax Owed	\$250k	\$3.9M*
Total Savings	\$7.3M	\$6.6M

* California does not recognize the federal QSBS exclusion at the state level. Entire gain is subject to 13.3% tax rate since both founder and beneficiaries reside in CA. Founder B's total savings reflect federal exclusions only. Additional state-level planning strategies may be available to further reduce CA tax exposure. As Investment Advisor to the trust you can offer additional strategies to further minimize state tax exposure.



Key Takeaways for Advisors

The advisors who win venture-backed founder clients aren't the ones who show up at exit — they're the ones who were already there. QSBS trust planning is one of the highest-leverage things an advisor can do for a pre-liquidity founder, and most aren't doing it. In this engagement, Promissory built and managed the full advisor relationship from intake to exit. As a Promissory advisor partner, you can do the same — with our resources, infrastructure, and team behind you every step of the way.

- Timing is everything. Trusts must be funded before a liquidity event is substantially certain. Waiting for a signed LOI is too late. In this case, a 3-week turnaround protected millions that could have otherwise been taxable.
- Trust stacking multiplies the exclusion. Each trust is a separate taxpayer with its own \$10M QSBS exclusion. Two founders with two trusts each = four exclusions = up to \$40M in federally tax-free gains.
- No existing advisor relationship required. Founders can get started immediately. The interim advisor model means no roadblocks at intake — and the structure is designed from day one to transition cleanly to a wirehouse post-exit.
- Co-founders can plan in parallel. Each founder's trust structure is independent. Promissory can run both engagements simultaneously — same timeline, separate valuations, separate trusts.