



The Business is Sold. Then Comes the Tax Bill.

How one group of business owners paid the tax bill when they sold their company

Business owners have liquidity needs throughout the lifecycle of their business, from start-up cash flow needs to the successful sale of their business. For many of these business owners, the culmination of their hard work is the successful sale of their business. Then comes the tax bill.

Goldman Sachs Private Bank Select®, or, GS Select® recently worked with an advisor whose clients were in this situation. Several partners built a services related company and successfully sold a majority stake to a private equity firm for several hundred millions of dollars.

This exciting event created a very large tax bill for each partner. The main question became: how to pay it? The three choices were: dip further into the earnings from the sale, which would also affect their plans for using the earnings for other business needs; liquidate assets from a very stable and productive investment portfolio; or borrow.

After analyzing the pros and cons of each potential solution, borrowing to pay the bill became the clear choice for each partner. But what were the potential borrowing solutions? The partners and advisor had several key criteria: the loan needed to be easy to put in place and the funds readily accessible and transparent, and the price needed to be right. Based upon the type of loan structure and flexibility required, a securities-based line of credit (SBLOC) was the most attractive choice.

By putting into place a revolving line of credit using assets from the portfolio as collateral to secure the line, the partners were able pay their tax bill in a cost effective way and have their advisor continue to manage the investment portfolio according to plan. Their GS Select Regional Lending Manager was able to advise and manage the partners and advisor through the intuitive, digital platform – all in a transparent and flexible way.

The determining factors:

- The yield on the partners' stable municipal bond portfolio was generating an income that paid out significantly more than the monthly interest cost of the line of credit, so borrowing through an SBLOC made economic sense
- By using the assets as collateral, the advisor was able to continue to manage the portfolio accordingly
- The end-to-end digital program together with their GS Select Regional Lending Manager and the GS Select Service team made applying for and managing the lines of credit—ranging from \$75k to \$25m—an efficient and transparent experience for each partner and their advisor
- This strategy has positioned the partners and the advisor for their next sale and taxable event

Be prepared for when your clients realize they have a liquidity event. Learn more about how a GS Select SBLOC may be the answer for managing their newfound cash needs today.

[Let's Connect](#)

Loans are offered by the Salt Lake City branch of Goldman Sachs Bank USA (GS Bank), a New York State-chartered bank and a wholly-owned subsidiary of The Goldman Sachs Group, Inc. GS Bank is a member of the Federal Reserve System and Member FDIC. Goldman Sachs Private Bank Select® is a business of GS Bank.

Securities based loans may not be appropriate for all loan parties (e.g. borrowers, pledgers, and guarantors) and carry a number of risks, including but not limited to the risk of a market downturn, tax implications if pledged securities are liquidated, and the potential increase in interest rates. If the value of pledged securities drops below certain levels, loan parties may be required to pay down the loan and/or pledge additional securities. The risks are described in the Product Guide and FAQs available upon request. You should consider these risks and whether a securities based loan is suitable before proceeding.

This is not a commitment to lend. Credit qualification and collateral are subject to approval. Additional terms and conditions would apply. Products, rates, qualifications, and terms and conditions are subject to change in Goldman Sachs Bank USA's sole discretion and without notice.

Goldman Sachs does not provide legal, tax or accounting advice. Any statement concerning U.S. tax matters is not intended or written to be used and cannot be used for the purpose of avoiding penalties imposed on the relevant taxpayer. The taxpayer should obtain their own independent tax advice based on their particular circumstances.

This article was developed by a contracted writer. The opinions expressed in the article are for general informational purposes only and are not intended to provide specific advice or recommendations for any individual or on any specific security or investment product. It is only intended to provide education about the financial industry.

© 2021 Goldman Sachs. All Rights Reserved. Goldman Sachs Private Bank Select and GS Select are registered trademarks of Goldman Sachs & Co. LLC.

