

# Client Case Study

## From Complexity to Clarity:

**How an Orange County Internal Medicine Physician in private practice  
Saved Taxes in 2024**

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### Introduction

Dr. Adams, an internal medicine physician operating a private practice in Orange County, sought guidance on creating a tax-efficient structure while balancing personal financial planning, retirement goals, and practice transition needs. At age 52, with a growing practice and family responsibilities, he required a cohesive strategy to align tax planning, wealth building, and succession design.

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### Situation

- 100% practice-based income (no hospital employment)
- Growing patient base and revenues
- Limited retirement savings, high reliance on retained earnings
- Married with two teenage children
- Net Worth: \$5.1 million
- Income Structure: S Corporation (clinical), single-member LLC (consulting), Family Limited Partnership (investment holdings)

### Primary Goals

- Accelerate retirement readiness by age 58–60
- Coordinate tax mitigation across multiple income sources
- Transition practice ownership in a tax-efficient manner
- Fully fund graduate-level education for both children
- Preserve and grow multi-generational family wealth

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## **Challenge**

Dr. Adams faced unpredictable cash flow, high quarterly tax payments, and no structured retirement or wealth-building plan. Without a proactive approach, the practice risked stalling growth while family and retirement goals remained underfunded.

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## **Strategic Tax & Financial Planning**

### **Multi-Entity Optimization**

- S Corporation for clinical income (salary + distributions)
- Consulting LLC for hospitalist and medical-legal work (Schedule C)
- Family Limited Partnership for passive investments and estate income
- Accountable plan reimbursements and Augusta Rule utilization
- Intercompany leaseback for equipment and office space

### **Defined Benefit Plan + Mega Backdoor Roth**

- Layered retirement with defined benefit plan and solo 401(k) in the S Corp
- SEP IRA for consulting LLC income
- Mega backdoor Roth conversions for tax-diversified growth

### **529 Superfunding & Trust Coordination**

- 5-year accelerated funding of \$170K per child into 529 plans
- Grandparent-owned 529s to preserve financial aid eligibility
- Annual Crummey gifts to an IDGT for wealth transfer

### **Real Estate & Passive Investments**

- Cost segregation study on rental property for accelerated depreciation
- Participation in healthcare real estate syndicates for diversification and tax write-offs

## **Investment Strategy**

- Centralized IPS aligning practice exit, retirement, and education goals
- Asset location optimization across Roth, tax-deferred, and taxable accounts
- Quarterly rebalancing, tax-loss harvesting, and CPA-integrated cash flow modeling

## **Retirement Modeling**

- Scenario planning for full retirement at 58, phased retirement with 0.5 FTE, and practice sale with continued consulting via LLC
- Roth conversions, QCDs, and CRT simulations to manage lifetime tax exposure

## **Education Planning**

- Full projection through graduate school with inflation modeling
- Coordinated 529 withdrawals with tax credits and AGI thresholds
- Use of appreciated securities for family donor-advised fund

## **Estate & Asset Protection**

- Revocable Living Trust with ILIT for estate liquidity
- CLAT to reduce taxable estate while funding legacy giving
- Beneficiary alignment across accounts
- Umbrella liability coverage increased to \$5M
- Bifurcated malpractice coverage across entities

## **Practice Transition**

- Valuation using earnings and goodwill analysis
- Installment sale structure for junior partner buy-in
- Buy-Sell Agreement with disability and death triggers
- Deferred comp package for key employee retention
- Goodwill allocation structured for 15-year tax amortization

## Key Results & Long-Term Benefits

- **\$95,000+ annual tax savings** through entity optimization and retirement layering
  - **Six-figure annual retirement plan contributions** funded by practice income
  - **100% funded education plan** for both children with tax-free growth
  - **Succession plan in place**, with practice sale structured to minimize taxes and maximize continuity
  - **Estate tax exposure reduced** via Roth conversions and CRT planning
  - **High-confidence retirement plan** with flexible income streams and healthcare cost management
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## Final Thoughts

This case demonstrates the transformative impact of integrated, CPA-led planning. By aligning entity structuring, advanced tax strategies, retirement funding, estate planning, and practice transition design, Dr. Adams achieved both immediate tax savings and long-term financial independence.

With clarity, control, and confidence, he is now positioned to transition into retirement on his own terms—while securing his family's legacy for the next generation.

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If you're a physician or healthcare professional juggling your finances, you don't have to navigate it alone.

**Ready for Strategic Tax Clarity?**

Cobalt PacWest Advisors (CPA)

**Cobalt PacWest Advisors (CPA)** specializes in *strategic tax planning, tax compliance, CPA-led comprehensive financial planning*, and *business advisory services* tailored for physicians, healthcare professionals, high-income families and businesses intent on minimizing taxes to the lowest levels possible while remaining compliant with all tax laws, and plan for their future to achieve what matters most and live their best lives.


Whether you're navigating the complexities of hospital employment, managing side practice income, optimizing student loans, planning for your family's financial legacy, or growing long-term wealth—our integrated approach combines:

- **Proactive tax strategy**
- **Comprehensive financial planning**
- **Flawless year-end tax preparation**

...to help you align today's financial decisions with tomorrow's goals.

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*If you are feeling uneasy about the financial decisions you are (or are not) making to increase financial and tax efficiencies and reduce your tax liabilities, and attempts to "guess" what you need to do each year to be able to fund your family's non-negotiable and "wish list" financial goals, plans for achieving financial independence and retiring on your terms aren't providing you the confidence you need, you are not alone.*

 Time is money.

Schedule your complimentary consultation today.

**Let's chart a smarter path forward—together.**

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