

DST Tax-Free 1031 Real Estate Exchange

For Owners of Investment Real Estate

DST 1031 Exchange defined:

A Delaware Statutory Trust (DST) is a legally recognized trust for conducting business and can be offered as a conduit for replacement property for accredited investors during a 1031 exchange. The replacement property now becomes a direct ownership of an interest in a professionally managed property or pool of properties.

Benefits of a DST 1031 Exchange

- Eliminate property management responsibility
- Defer capital gains taxes
- Diversify from concentrated property into nationally diversified pool of properties
 - Currently averaging 5-7% annualized return with **monthly distributions**
- Leveraged and increased cash flow for reinvestment
- Facilitates estate planning (step-up in cost basis for heirs)

Requirements for a DST 1031 Tax-Free Exchange

- Must hire a Qualified Intermediary Service (QIS) who independently handles the proceeds from the sale of the property.
- Like-kind property
 - Internal Revenue Code defines “like-kind” as property that is “of the same nature, character or class. Quality or grade does not matter”.
- Investment or business property only
- Greater or equal value
 - Cannot receive “Boot”, which is the money or the fair market value of “other property” received by the taxpayer in an exchange. Boot can be inadvertent and can include a multitude of different things.
- Greater or equal debt leverage
- Special time provisions
 - 45 days to identify replacement “like-kind” property
 - 180 days from closing to complete the 1031 exchange transaction
- When identifying replacement property:
 - **3 Property Rule** (may identify up to 3 potential replacement properties)
 - **200% of Fair Market Value rule** (if more than 3 properties identified, aggregate value of them can't exceed 200% of relinquished property)
 - **95% Exception** (investor can identify as many properties as he/she wishes, but must actually acquire and close on 95% of fair market value identified)

Seven Deadly Sins of a DST 1031 Exchange

- Once the offering is closed, there can be no future contributions to the DST by either current or new investors.
- The trustee of the DST cannot renegotiate the terms of existing loans, nor can it borrow new funds from any party.
- The trustee of the DST cannot reinvest the real estate proceeds from a sale.
- Any reserves or cash held between distribution dates can only be invested in short-term debt obligations.
- All cash, other than the necessary reserves, must be distributed on a regular basis.
- The Trustee of the DST is limited to making capital expenditures, with respect to the property, to those for: a) normal repair and maintenance, b) minor non-structural capital improvements, and c) those required by law.
- The trustee of the DST cannot enter into new leases or renegotiate the current leases, unless there is a tenant bankruptcy or insolvency.

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- The DST may contain a provision that provides if the Trustee determines the trust is in danger of losing the property due to its inability to act due to the above listed seven deadly sins, the Trust can convert into a limited liability company with pre-existing agreed-upon terms.

Endowment Wealth Management's Unique Value Proposition

Endowment Wealth Management is a Registered Investment Advisor (RIA) and serves our valued family clients as an Independent Fee-Based Fiduciary, staying unbiased and putting clients' personal goals and interests first.

Advantages of working with Endowment Wealth Management:

- **Avoid commission costs (6-8%)** when reinvesting proceeds.
- **Fee-Based Fiduciary** who will keep your best interest in mind.
- Research independent real estate funds and investment managers to invest qualified proceeds.
- Professional assistance when working through 1031 exchange process to make sure all necessary steps are completed.
- Ongoing monitoring and reporting services.

Execute your Tax-Free DST 1031 Exchange Today!

To learn more about our current 1031 exchange investments and how this strategy can fit into your overall family wealth plan, contact Sam Moore at Endowment Wealth Management today at 920-785-6010.

Our team of independent professionals has over 100+ years of experience and collectively advises our clients. To learn more about our team of professionals, Endowment Investment Philosophy™, or our Nationally recognized Endowment Index™ calculated by NASDAQ OMX® please visit www.Endowmentwm.com