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THE 1031 EXCHANGE 180 DAY TIMELINE

DAY 1	BY DAY 45	BY DAY 180
Sell Your Property(s)	Identify a Replacement Property(s)	Close on Your New Property(s)

To be fully tax deferred, an exchange must satisfy the following:

- **VALUE of new RE is => VALUE of relinquished RE**
- **CASH invested in new RE is => CASH received from relinquished RE**
- **DEBT of new RE is => DEBT from relinquished RE**

USE DSTs TO SIMPLIFY THE 1031 PROCESS AND YOUR LIFE, PLUS HAVE THE POTENTIAL FOR MORE BENEFITS! DSTs

reduce or ELIMINATE BOOT | insure 100% tax deferral | ease MULTIPLE-Lg property exchanges | are perfect backup ID(s) | provide more CHOICES
use PROFESSIONAL Mgt = PASSIVE INCOME | obtain the FINANCING | give each heir separate options = EASIER WEALTH TRANSFER

Or get **86% cash now**, tax-free, (14% deferred in a DST) from the 1031 sale of relinquished property

The past does not guarantee the future

$1M of equity 1031ed into a DST could yield $50K annually + growth, which transfers to heirs all without Capital Gains Tax and without management or maintenance headaches.

1. **They Avoid Financing Obstacles** - Since debt placed or assumed on the replacement property must be equal to or greater than the debt relieved in the relinquished property, property owners may have difficulty getting financing on their replacement properties. For example, a property owner may wish to sell an apartment building worth $5 million with 50% loan-to-value (LTV). If that property owner cannot get approved for a $2.5 million loan on their replacement property, then most likely the owner will not sell. The DST(s) can be the borrower of any loan and investors in that DST will not need to be individually qualified with a lender. The debt is non-recourse to the investors.

2. **DSTs Make Great, Reliable Back Up Properties** - A common strategy to identify replacement properties is the "3 Property Rule," where an exchanger may identify up to three properties, without regard to their fair market value, within 45 days. Identifying only one property may be dangerous because that property can fall out of escrow for many reasons: financing, inspections, seller changes their mind, etc. To secure an opportunity to execute a successful 1031 exchange, the exchanger could identify the first and/or second property as defined by the investor/commercial real estate broker. The exchanger can then identify one and/or two additional properties owned by DST(s). It costs the exchanger no extra money to identify additional properties. Taking this precaution insures that the exchanger has adequate choices since DSTs will not fall out of escrow.

3. **They Avoid Taxable Gains on Boot** - The exact dollar amount of the replacement property is a common challenge in 1031 transactions. In one example, the relinquished property sells for $2.0 million and the exchanger identifies a replacement property for $1.8 million. The difference in the price of the relinquished property and the price of the replacement property results in a taxable amount on the remaining $200,000. Under the "3 Property Rule," DSTs provide a solution by identifying the extra $200,000 as DST owned properties.
By using a creative DST, you can exchange **WITHOUT TIME CONSTRAINTS or BOOT** (even if there is unused cash).

4. **No Property Management Headaches** - DST-structured 1031 exchange properties are professionally managed. Professional managers handle the Terrible T's: Tenants, Toilets, Trash, Turmoil, Termites. The investor enjoys the Terrific T's: Travel, Time, Tennis. DST programs offer additional benefits, including the direct deposit of distributions, if any, and reporting through Substitute 1098/1099s, no K-1s.

5. **DSTs Give Investors More Choices & Diversification** - Investing in a DST can provide portfolio diversification. For instance, an investment could be made in a single DST that owns multiple properties in several states. It would be almost impossible for a broker to identify three replacement properties in three different states within the allowed 45-day timeframe. DSTs are an optimal way to achieve diversification and to give investors more choices.

6. **They Don't Get Sidelined** - Many realtors have clients that will not sell until they find the "right" property. Having the option to invest in institutional-grade properties, owned by professionally managed DSTs, may get investors off the sidelines, allowing realtors to make more sales.

7. **Swap till You Drop** - A DST is different than a 721 Exchange (UPREIT) transaction where the investor's exchange opportunity for heirs to argue over what to do with an investment property when the owner passes away. The heirs continue to receive distributions from the investment, if any, and upon the sale of the property owned by the DST, each of the heirs can choose what to do with their inherited portion. One heir can continue to exchange the investment, while another cjourney ends with the sale of the UPREIT. The DST structure allows the investor to continue to exchange properties over and over again until the investor's death. Upon the death of the investor, under current tax laws, the heirs would get a "step up" in basis, thereby avoiding capital gains taxes on the original and subsequent properties.

8. **Estate Planning Tool** - Everyone wants the best possible scenario for their heirs before they pass. Investing in a DST(s) eliminates the an sell and receive cash proceeds.

9. **Low Minimums** - An investor can exchange as little as $100,000.

Three Property Identification Rules

A person engaging in a 1031 Exchange must identify the replacement real property through ONE of the following three rules:

1. **Three Property Rule:** An exchanger may identify up to three replacement properties, regardless of their fair market value ("FMV"); or,
2. **200% Rule:** An exchanger may identify any number of replacement properties as long as the combined FMV of those properties does not exceed 200% of the FMV of the relinquished property (i.e., the real property the exchanger is selling); or,
3. **95% Rule:** An exchanger may purchase any number of replacement properties, with no limit on FMV, as long as the properties acquired amount to at least 95% of the FMV of all identified properties.

General Disclosure

The contents of this communication do not constitute an offer of securities or a solicitation of an offer to buy securities. You should always consult a tax professional prior to investing. All investing involves risk.

*Securities offered through Emerson Equity LLC Member: **FINRA/SIPC**. Only available in states where Emerson Equity LLC is registered.* Emerson Equity LLC is not affiliated with any other entities identified in this communication.

1031 Risk Disclosure:

- There is no guarantee that any strategy will be successful or achieve investment objectives;
- Potential for property value loss – All real estate investments have the potential to lose value during the life of the investments;
- Change of tax status – The income stream and depreciation schedule for any investment property may affect the property owner's income bracket and/or tax status. An unfavorable tax ruling may cancel deferral of capital gains and result in immediate tax liabilities;
- Potential for foreclosure – All financed real estate investments have potential for foreclosure;
- Illiquidity – Because 1031 exchanges are commonly offered through private placement offerings and are illiquid securities. There is no secondary market for these investments.
- Reduction or Elimination of Monthly Cash Flow Distributions – Like any investment in real estate, if a property unexpectedly loses tenants or sustains substantial damage, there is potential for suspension of cash flow distributions;
- Impact of fees/expenses – Costs associated with the transaction may impact investors' returns and may outweigh the tax benefits