



Investing in Real Estate Syndications

Real Estate Investing. Simplified.



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WHY I WROTE THIS BOOK

For years, I worked in **Big 4 accounting, M&A, IPOs, and corporate finance**, analyzing how businesses scale, build wealth, and create financial security.

Along the way, I met professionals from many fields—doctors, executives, business owners—often busy with demanding careers or raising families. Many were **diligently contributing to their 401(k)s and investing in the stock market**, but I spoke with many who had the dream of investing in real estate yet didn't have the time to navigate the complexities of finding, financing, operating, and managing a property themselves.

When I discovered **real estate syndications**, it completely reshaped how I thought about real estate investing. I realized that **investors didn't need to be landlords** to benefit from real estate, and they didn't need millions of dollars to participate in high-quality investments. Instead, they could **invest passively**, earning **cash flow, tax advantages, and appreciation**—leaving the property's operations, financials, and upkeep in the hands of professionals.

Now, as **Chief Investment Officer for Collegiate Capital LLC** and **Co-Founder of The Real Estate Tax Strategy Institute**, I apply these strategies to real estate syndications—helping investors gain exposure to institutional-quality assets while leveraging professional management, tax efficiency, and passive income potential.

My mission is simple: to simplify real estate investing by **helping others discover the power of syndications** and unlock new opportunities for long-term growth and diversification through real estate.

This book is here to show you **how to INVEST IN real estate without BEING IN real estate**.

Whether you have money sitting in a dormant **401(k), IRA**, cash in a **savings brokerage account**, or simply want to diversify beyond stocks, I'll show you how syndications work—and why student housing is one of the most exciting real estate sectors today.

My goal is simple: to show you that **real estate investing doesn't have to be complicated or time-consuming**. With the right strategy, you can build **long-term growth and diversification**—without adding another full-time job to your life.



— Michelle
Goheen

What You'll Learn in These Pages

- ✓ Why real estate syndications are one of the easiest ways to invest in high-value properties—without leaving your day job or ever picking up a hammer.
- ✓ The essential terms you need to know to confidently evaluate syndication opportunities.
- ✓ What it means to be a Limited Partner (LP) in a "private equity" deal—and how to invest like the pros.
- ✓ How syndications let you earn passive income while experienced professionals manage the deal.
- ✓ How to take your dormant 401(k) or IRA and invest in real estate through a self-directed IRA in just a few weeks.
- ✓ What to look for in a real estate syndication and how to evaluate opportunities.
- ✓ How syndications go beyond real estate—investing in everything from multifamily and commercial properties to ATMs, car washes, and self-storage.
- ✓ The key benefits of syndication, including passive income, tax advantages, and limited liability.

We'll cover real estate syndications in general. While I focus on high-growth college towns, the fundamentals of syndication remain the same—**no matter what type of asset you're investing in**.

What gets syndicated? More than you might think! While real estate syndications are common, you'll also find syndications in:

-  **Multifamily apartments** – Large-scale residential complexes
-  **Student Housing** – Rental properties near campuses with student-focused amenities
-  **Commercial real estate** – Office buildings, retail centers, and industrial warehouses
-  **Build-to-rent communities** – Entire neighborhoods designed for rental
-  **Hotels & short-term rentals** – Hospitality-focused investments
-  **Self-storage facilities** – Capitalizing on America's love for extra space
-  **Car washes & parking garages** – Cash flow from everyday conveniences
-  **ATMs & vending machines** – Passive income from high-traffic locations
-  **Farmland & timberland** – Long-term appreciation plays
-  **Energy & infrastructure** – Solar farms, oil & gas drilling, and utility assets

No matter the asset class, **the core principles of syndication remain the same**—pooling capital with other investors to unlock opportunities typically out of reach for individuals.

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Real Estate Investing Made Simple

Why Real Estate Syndications?

Most of us grow up believing that **stocks, bonds, and mutual funds** are the only real path to building wealth. We save in 401(k)s, contribute to IRAs, and trust that the market will take care of the rest—because that's what we've been told to do.

But what if there's a better way?

"Ninety percent of all millionaires become so through owning real estate." - Andrew Carnegie

Real estate has created more millionaires than any other asset class. Yet most investors **never even consider it**—not because they don't want to, but because they don't know how. It feels **complicated, time-consuming, and out of reach** for anyone with a full-time career, a family, and a life.

Meanwhile, traditional investments come with **uncertainty and risk**. **One bad year in the market can wipe out years of gains.**

And when inflation outpaces returns, your money is actually **losing value** while sitting in supposedly "safe" investments.

- ✓ **Finding the right property takes time.**
- ✓ **Figuring out financing (and likely taking on debt) is stressful.**
- ✓ **Managing tenants, maintenance, and repairs? A full-time job in itself.**
- ✓ **And say goodbye to your weekends—you'll be spending them at Home Depot.**

For most busy professionals, diving into real estate means **juggling a second career on top of everything else**. That's why so many people love the idea of real estate investing—but never actually do it.

Why Consider Real Estate Syndications?

Real estate syndications allow investors to participate in large-scale real estate projects—like student housing complexes or multifamily developments—without the responsibility of direct ownership. Unlike stocks, real estate investments are **tangible assets** that appreciate over time while generating rental income.

Furthermore, the U.S. tax code provides **significant incentives** for real estate investors, making it one of the most tax-efficient asset classes. Through **cost segregation studies, depreciation deductions, and tax-deferred growth**, investors can minimize their tax liability while maximizing their return on investment.

A Tale of Three Investors: Stocks vs. Syndications

Meet Emma, David, and Mark—three investors with \$100,000 to invest, but each taking a different approach.

- ✓ Emma sticks with the stock market, expecting an average 7% annual return over the next five years.
- ✓ David chooses real estate syndications with a projected 20% IRR, with an 8% preferred return, receivable distributable cash flow each quarter, with most of his gains coming at the end of the investment.
- ✓ Mark invests in the same real estate syndication but reinvests his distributions each year, compounding his returns over time.

Fast Forward 5 Years...

- ◆ Emma's stock market portfolio has grown to \$140,255—steady, but affected by market fluctuations.
- ◆ David, who invested in real estate and took his distributions, **now has \$200,000**—doubling his original investment. Plus, significant tax benefits that aren't factored into this equation.
- ◆ Mark, who reinvested his cash flow into new syndications (with the same metrics) each year, **now has \$323,252**—more than 3X his initial investment, thanks to the power of compounding and reinvesting cash flow.

The Difference?

Emma's portfolio grew predictably, but David and Mark leveraged real estate's cash flow, equity growth, and reinvestment power to accelerate their wealth.

- ✓ One strategy relies on market swings.
- ✓ The other uses cash flow and reinvestment to compound gains.
- ✓ And the best part? Neither David nor Mark had to manage a single property.

No tenants, no maintenance, no stress—just passive income and long-term growth. **If you want your money to work harder without working harder yourself, real estate syndications might be the key.**

A Step-by-Step Guide to Real Estate Syndications

A real estate syndication is essentially a group investment, where multiple investors pool their money to acquire a large property. This allows **individual investors to access high-value real estate assets** that would typically be out of reach.

Understanding the Roles in Real Estate Syndications: General Partners vs. Limited Partners

If you're new to real estate syndications, you might wonder how they work and what your role as an investor would be. Simply put, a real estate syndication is a way for multiple investors to pool their money together to buy, manage, and profit from larger real estate projects—without the hassle of managing properties themselves. Within a syndication, there are two key roles: **General Partners (GPs)** and **Limited Partners (LPs)**.

General Partners (GPs): The Deal Sponsors

The General Partners (GPs)—also known as **Deal Sponsors**—are the individuals or companies responsible for sourcing, acquiring, managing, and ultimately selling the investment property. They play a pivotal role in structuring the deal and driving the business plan to maximize returns.

What General Partners Do:

- **Identify Investment Opportunities** — GPs scout the market for properties with strong income potential.
- **Secure Financing & Raise Capital** — They negotiate loans, structure the syndication deal, and bring in Limited Partners to fund the project.
- **Personally Guarantee the Debt** — In many cases, the GP will personally sign on the loan to secure financing, putting their own financial standing on the line to benefit the entire project.
- **Develop and Execute the Business Plan** — From property improvements to rental strategies, they implement the plan that drives returns for investors.

- **Oversee Operations** — GPs manage the property's performance, working with property managers to maintain high occupancy and steady cash flow.
- **Communicate with Investors** — They provide regular updates to LPs on the investment's progress.
- **Manage the Exit Strategy** — GPs determine when to sell or refinance the property to optimize investor returns.

GPs typically invest a small percentage of the total capital required but are compensated through **management fees** and a share of the profits, usually structured as a percentage of the earnings.

Limited Partners (LPs): The Passive Investors

If you invest in a real estate syndication, congratulations—you're a Limited Partner (LP). That means you're **putting your money to work in high-value real estate deals while an experienced team manages the day-to-day operations**. Instead of handling leases, maintenance, and property management, you get to enjoy the benefits of ownership without the extra workload.

What Limited Partners Do (and Don't Do):

- ✓ Invest Capital** — LPs contribute funds to the syndication, typically in exchange for a preferred return and a share of profits.
- ✓ Earn Passive Income** — LPs receive distributions from rental income and property appreciation without the need for active involvement.
- ✓ Benefit from Tax Advantages** — LPs receive depreciation and other tax perks that reduce taxable income.
- ✓ Limit Their Risk** — LPs are only liable for the amount they invest—meaning their personal assets are protected.
- ✗ No Management Responsibilities** — LPs don't handle operations, leasing, or maintenance.
- ✗ No Personal Debt Liability** — In traditional real estate investments, buyers typically take on mortgage debt and leverage their own balance sheet. In syndication, you do not take on any debt or risk to your credit. Instead, the GP guarantees the debt on behalf of the partnership, so you benefit from the leverage without the personal liability.

Over the course of the syndication, **LPs benefit from passive income, appreciation, and tax advantages**. At the time of sale, LPs have the potential to see a return of 1.5x to 2.0x their investment over a 5-year period, based on market conditions and project performance.

Congrats!

By investing this way, you are now a private equity investor — without the board meetings, late nights, or playing buzzword bingo on zoom calls.

How Limited Partners Get Paid: Preferred Returns and Equity Splits

A **preferred return** is a fixed percentage that LPs are entitled to receive before the general partner (GP) shares in the profits. However, this does not mean LPs receive an automatic 8% cash distribution each year. Instead, the **preferred return accrues annually**, and actual distributions depend on the property's cash flow. In the early years of a project, cash flow may be limited, meaning only a portion of the preferred return is distributed. However, any unpaid portion continues to **accrue** and must be paid before the GP shares in the profits.

For example, let's say a syndication offers:

- **8% preferred return** to LPs
- **80/20 profit split** (LPs receive 80% of distributable earnings, GPs receive 20%)
- **5-year investment hold period**
- **\$100,000 investment from an LP** (for simplicity, but LPs invest at all levels—from \$50,000 to millions of dollars)

How the Preferred Return Works in Practice

- In **Year 1**, the property is still stabilizing, and only 4% of the preferred return is distributed. The remaining 4% is **accrued** and carried forward.
- By **Year 3**, the property's cash flow has increased, and the LP starts receiving **full 8% distributions**, plus any accrued amounts from previous years.
- **Before any profit split occurs**, the GP must first pay LPs all accrued preferred returns.

Profit Splits and Performance Incentives

Once LPs have received their **full accrued preferred return**, they then receive **80% of the remaining distributable cash flow**, while the GP **receives 20%**.

To further align incentives between GPs and LPs, some syndications include a **tiered profit structure** (also called a waterfall). This means that once LPs achieve a specific internal rate of return (IRR)—a metric that measures the annualized return on an investment, factoring in both cash flow and realized appreciation—the GP may receive a larger share of profits.

For example, once LPs reach a **20% IRR** (meaning they have **doubled their investment in five years**), the profit split might adjust from **80/20 to 50/50**. This structure **motivates the GP** to maximize property performance, as they only receive a higher share of the profits once **investors have met their target return**.

Additionally, **refinancing** can sometimes be used as a strategy to return capital to investors before a property is sold. If the property appreciates and a new loan replaces the original debt, the LPs may receive a significant portion (or all) of their initial investment back while still maintaining their ownership stake. In this case:

- The LPs receive **their original investment and a strong IRR** early.
- The project continues operating, generating income, and the LPs and GP **share ongoing profits** until the final sale.

The Tax Advantages of Real Estate Syndications

One of the **biggest advantages** of investing in real estate syndications is the **ability to generate positive cash flow** while benefiting from powerful tax strategies that aren't available with most other investments. Unlike stocks or bonds—where you only receive cash when you sell, triggering a taxable event—**real estate allows you to generate ongoing income while deferring or reducing taxes along the way.**

Syndications allow investors to **access these benefits passively**—without the headaches of active management—while leveraging the same tax strategies that institutional investors and high-net-worth individuals have used for decades to build wealth.

Here's how syndications create tax efficiency:

- ✓ **Depreciation Deductions** – Reduces taxable income by recognizing the natural wear and tear of the property, even as the property value increases.
- ✓ **Cost Segregation** – Accelerates depreciation by breaking down a property into components (e.g., fixtures, appliances) for immediate tax savings.
- ✓ **Bonus Depreciation** – Allows investors to deduct a large portion of property costs upfront, further reducing taxable income in the early years of the investment.
- ✓ **1031 Exchanges** – Lets investors defer capital gains tax by reinvesting profits into another property, preserving more capital for future growth.

Real estate syndications don't just generate cash flow—they offer a **strategic way to reduce taxes, compound growth, and build long-term wealth.**

Here's an example of how it works in practice:

An investor who invests \$100,000 in a syndication could receive steady cash flow and significant tax benefits over the life of the investment. In this example, we'll assume an 8% preferred return, with payouts starting below 8% in the early years as the property builds distributable cash flow.

Here's how the investment could perform over a five-year period, culminating in a 2x total return at sale:

Year	Cash Flow %	Cash Flow (\$)	K-1 Paper Loss	Potential Tax Offset (37% Rate)	If No Other Passive Income to Offset	Notes
1	4%	\$4,000	\$35,000	\$12,950 (if offsetting other passive income)	Deduct \$3,000 from ordinary income on their tax return, roll forward \$32,000	Lower initial cash flow as the property stabilizes
2	6%	\$6,000	\$10,000	\$3,700 (if offsetting other passive income)	Deduct \$3,000 from ordinary income on their tax return, roll forward \$7,000	Cash flow increases as property performance improves
3	8%	\$8,000	\$10,000	\$3,700 (if offsetting other passive income)	Deduct \$3,000 from ordinary income on their tax return, roll forward \$7,000	Property now producing at the preferred return level
4	10%	\$10,000	\$10,000	\$3,700 (if offsetting other passive income)	Deduct \$3,000 from ordinary income on their tax return, roll forward \$7,000	Stronger cash flow as the property stabilizes
5	12%	\$12,000	\$10,000	\$3,700 (if offsetting other passive income)	Deduct \$3,000 from ordinary income on their tax return, roll forward \$7,000	Increased cash flow as rents and operations improve
Sale	-	\$160,000	-	Suspended losses offset taxable gain	Remaining \$58,000 in suspended losses reduce taxable gain	\$100,000 return of capital + \$60,000 gain = \$160,000 at sale; \$58,000 in suspended losses used to reduce taxable gain

Understanding the Return Structure:

- Total return is 2x ($\$100,000 \times 2 = \$200,000$).
- Over the holding period, the investor receives \$40,000 in cash flow and \$160,000 at sale—bringing the total return to \$200,000, or a 2x multiple on the initial investment.
- Suspended losses of \$58,000 from depreciation could be used to offset capital gains at sale, reducing the taxable gain and increasing after-tax returns.

How the Tax Benefits Work:

- In **Year 1**, the investor **earns \$4,000 in cash flow but receives a \$35,000 paper loss through depreciation**. If the investor has other passive income—such as from rental properties, REIT dividends, K-1 income from other syndications, or royalties—they could use the loss to offset that income, potentially **reducing their tax bill by \$12,950 ($\$35,000 \times 37\%$)**. If they have no other passive income, they can deduct \$3,000 from ordinary income on their tax return and roll forward \$32,000 to future years.
- In **Years 2-5**, the investor **earns increasing cash flow** and receives \$10,000 in paper losses each year, creating **potential annual tax savings of \$3,700 ($\$10,000 \times 37\%$)**. If the investor has no other passive income, they can deduct \$3,000 from ordinary income on their tax return each year and roll forward the remaining \$7,000.
- At sale, the **investor receives \$160,000 (to complete the 2x total return)**. This includes the \$100,000 original capital investment and \$60,000 in profit after accounting for the \$40,000 already received as cash flow during the holding period.
- Any suspended losses (up to \$58,000 from depreciation) **could be used to offset capital gains at the time of sale**, reducing the taxable gain and increasing the investor's after-tax return.

Other Types of Passive Income That Could Be Offset:

- **Rental Property Income** – Cash flow from rental real estate
- **REIT Dividends** – Income from real estate investment trusts
- **K-1 income** – Distributions from other passive investments like partnerships or syndications
- **Royalty Income** – Income from intellectual property or mineral rights
- **Income from a business where you're not actively involved** – Such as income from an LLC where you're a silent partner

Using Your SDIRA or Solo 401(k) to Invest in Real Estate Syndications

Most people think of retirement accounts as vehicles for investing in traditional assets like stocks, bonds, and mutual funds. However, many investors don't realize how simple it is to self-direct their IRA and start investing in real estate. With a **self-directed IRA custodian**, the process can be straightforward, allowing individuals to take control of their retirement savings and diversify into real estate syndications with ease.

Self-Directed IRAs (SDIRAs) and Solo 401(k)s **allow investors to diversify into alternative assets** like real estate syndications, unlocking potential **tax advantages and long-term growth opportunities**. By investing this way, you can access the benefits of real estate without the day-to-day responsibilities of managing a property—while also taking advantage of tax-advantaged growth within your retirement account.

Why Use Retirement Funds for Real Estate?

- ✓ **Tax-Deferred or Tax-Free Growth** – Earnings from syndications remain within the retirement account, either tax-deferred (traditional IRA/401(k)) or tax-free (Roth IRA). This means the income and profits generated by the syndication are not considered taxable income on your tax return—they grow tax-free within your IRA or Solo 401(k).
- ✓ **Portfolio Diversification** – Reduce exposure to stock market volatility by investing in tangible assets like real estate that can provide stability and passive income.
- ✓ **Potential Passive Income for Retirement** – Syndications offer the opportunity to generate consistent cash flow, which can reduce reliance on stock market fluctuations while supporting long-term financial goals. However, as with any investment, returns are not guaranteed and may vary based on market conditions and project performance.
- ✓ **Access to Preferred Returns and Profit Sharing** – Investing in real estate syndications through a Self-Directed IRA (SDIRA) or Solo 401(k) allows for tax-deferred or tax-free growth, portfolio diversification, and potential passive income. Investors can participate in preferred returns, profit-sharing structures, and projected IRRs (as discussed earlier in this book) as part of the overall investment strategy.

How SDIRA Investments Work

When you invest in a syndication through an SDIRA or Solo 401(k), the **SDIRA company acts as the custodian of the investment**. The investment is made directly from the SDIRA—not from your personal bank account—and all earnings from the syndication (including cash flow and profits from sale) are paid directly back into the SDIRA account.

Unlike investing with after-tax cash, you won't **receive direct distributions** from the syndication when using an SDIRA. Instead, all cash flow and profits go back into the SDIRA or Solo 401(k) where they continue to grow **tax-deferred** (in a traditional account) or **tax-free** (in a Roth account).

Additionally, when you invest through an SDIRA, you benefit from the tax-advantaged structure of the account itself, which means you **don't receive** the same tax benefits you'd get when investing with after-tax cash. While depreciation and cost segregation reduce taxable income when investing personally, those benefits don't apply to an SDIRA since the earnings within the account already grow **tax-deferred or tax-free**.

Instead of focusing on immediate tax savings, investing through an SDIRA allows you to focus on **long-term, tax-advantaged growth**. Cash flow and profits from the syndication go directly back into your SDIRA or Solo 401(k), compounding tax-free over time. This means you can benefit from preferred returns, cash flow, and profit-sharing structures without worrying about annual tax consequences—potentially enhancing your overall portfolio performance over time.

Some syndications also allow you to **reinvest your distributions** or return of capital into other investments. When investing through an SDIRA, this creates a compounding effect, as the reinvested funds can generate additional cash flow and returns—all within the tax-advantaged environment of your retirement account.

Balancing Personal and Retirement Funds

In some cases, it may make sense to invest in syndications with both **personal funds** and **retirement funds to take advantage of both types of tax benefits**. By investing with after-tax cash, you can **benefit from depreciation and cost segregation to offset taxable income**. At the same time, investing through an SDIRA allows you to benefit from tax-deferred or tax-free growth within the retirement account. This approach can help you increase overall **tax efficiency while diversifying your investment strategy**.

Investing in real estate syndications through a Self-Directed IRA or Solo 401(k) offers a combination of **potential passive income, tax efficiency, and portfolio diversification**—all while building long-term value within a tax-advantaged account.

How to Invest with an SDIRA or Solo 401(k):

Getting started with a Self-Directed IRA (SDIRA) or Solo 401(k) to invest in real estate syndications is easier than you might think. Here's how the process works:

Open a Self-Directed IRA (SDIRA) or Solo 401(k).

Start by choosing a custodian that allows real estate investments. Not all custodians offer this option, so it's important to work with one that understands the process.

👉 For a list of SDIRA custodians our investors have worked with, contact us at investorrelations@collegiate-capital.com.

Transfer or Roll Over Existing Funds.

You can transfer or roll over funds from an old 401(k) or traditional IRA into your new SDIRA or Solo 401(k) without triggering taxes or penalties. This step allows you to put existing retirement funds to work in real estate without any immediate tax consequences.

Select Your Investment.

Once your account is funded, you can invest in real estate syndications through the SDIRA. The investment will be made directly from the SDIRA, and any returns—whether from cash flow or profits at sale—will flow back into the SDIRA account.

Let the Investment Work for You.

Your investment will grow tax-deferred (in a traditional SDIRA) or tax-free (in a Roth SDIRA). Some syndications also allow you to **reinvest your distributions or return of capital into other investments**, helping you compound your returns over time—all within the tax-advantaged environment of your SDIRA or Solo 401(k).

Using a Self-Directed IRA or Solo 401(k) for real estate syndications allows you to **put your retirement funds to work** in alternative assets while benefiting from the long-term advantages of tax-advantaged growth and portfolio diversification.

How to Get Started: Steps to Passive Real Estate Investment

Many investors hesitate to enter real estate syndications because they assume the process is complex or reserved for experienced professionals. In reality, getting started is straightforward when you understand how syndications work and take a thoughtful approach to selecting the right opportunity. Real estate syndications allow you to generate passive income, benefit from potential tax advantages, and diversify your portfolio—all while professional operators handle the day-to-day management. **Using the insights you've gained in this book, you'll be on your way to evaluating opportunities and making informed investment decisions.**

Step 1: Understand How Real Estate Syndications Work

Before investing, it's important to understand how syndications are structured and what to look for in an investment opportunity.

- ✓ **Your Role as an Investor** – As a passive investor, you provide capital while the General Partner (GP) manages the investment, including property acquisition, financing, operations, and the eventual sale.
- ✓ **Evaluating a Syndication Opportunity** – Strong syndication opportunities are typically supported by experienced sponsors, solid market fundamentals, and conservative financial projections. Evaluate the sponsor's track record, the strength of the local market, and the projected cash flow and appreciation potential.
- ✓ **Understanding Investment Structure** – Syndications typically offer a preferred return to investors, followed by a profit split between the LPs and GP. Make sure you understand how distributions are structured and how returns are calculated over the life of the investment.
- ✓ **Hold Period and Liquidity** – Syndications are long-term investments, often with a projected hold period of 5 to 7 years. Make sure you're comfortable with the timeline and that the investment aligns with your overall liquidity needs and financial goals.
- ✓ **Legal and Compliance Considerations** – The Private Placement Memorandum (PPM) outlines the terms of the investment, including potential risks, investor rights, and regulatory disclosures. Carefully review the PPM and consider consulting with a legal or financial advisor to ensure you understand the terms before committing capital.

Step 2: Define Your Investment Goals

Before selecting a syndication, clarify what you hope to achieve with the investment. Are you looking to generate passive income, build long-term equity, or maximize tax efficiency? Your investment goals will help you select opportunities that align with your financial strategy.

✓ Ask Yourself:

- What is my risk tolerance?
- How much capital am I comfortable allocating?
- Am I comfortable with a 5 to 7-year hold period?
- Do I want steady cash flow or long-term capital appreciation—or both?

Step 3: Determine Your Funding Source

Before investing, decide where your capital will come from. Investors often use a combination of funding sources to align with their financial goals and liquidity needs. Understanding the benefits and limitations of each funding source will help you structure your investment strategy effectively.

✓ **Savings or Cash Reserves** – Offers liquidity and flexibility since funds are not tied to account-specific rules. **Unlike investing through an SDIRA, you will receive the full tax benefits of real estate investing** when using after-tax cash. This includes the ability to offset cash flow with paper losses through depreciation and cost segregation, potentially reducing your taxable income. Investing with cash also allows you to receive direct distributions from the syndication, providing potential passive income.

✓ **Self-Directed IRA (SDIRA)** – Provides tax-deferred or tax-free growth but **requires working with a self-directed IRA custodian** to manage the investment and handle distributions. Earnings and returns flow back into the SDIRA account, not directly to the investor. While you won't receive the tax benefits of depreciation and cost segregation when investing through an SDIRA, the tax-advantaged structure of the account allows for long-term, tax-free or tax-deferred growth.

✓ **1031 Exchange (if applicable)** – A 1031 exchange allows you to roll over proceeds from the sale of an appreciated investment property into another "like-kind" property, deferring capital gains tax. However, **limited partner units in a syndication are not considered "like-kind" under 1031 exchange rules**. Some syndications may allow you to participate in a 1031 exchange through a **tenancy in common (TIC)** structure, which can qualify as "like-kind." Working with a sponsor experienced in 1031 exchanges is essential to structuring this correctly.

This option is particularly attractive for investors looking to sell a property that has become **operationally intensive** and would prefer to exchange it for an interest in a professionally managed property. By transitioning into a syndication through a 1031 exchange, investors can maintain **some of the tax advantages** of real estate ownership without the operational burden.

If you are considering selling appreciated investment property, the most important step is to engage a **Qualified Intermediary (QI)** to receive the proceeds from the sale and handle the required documentation. **Failure to use a QI will negate your 1031 exchange.**

📌 For a list of 1031 Qualified Intermediaries our investors have worked with, contact us at investorrelations@collegiate-capital.com.

Many investors choose to fund syndications through a mix of these sources to balance liquidity, tax efficiency, and long-term growth potential. Taking the time to evaluate your funding options will help you align your investment strategy with your financial goals.

Step 4: Select a Syndication Sponsor (General Partner)

The track record and experience of the General Partner (GP) are among the most important factors to consider when evaluating a syndication. The GP is responsible for acquiring the property, securing financing, managing operations, and ultimately executing the exit strategy. Choosing a sponsor whose approach and incentives align with yours is key to creating a successful investment relationship.

When evaluating a sponsor, consider:

- ✓ **Experience and Past Performance** – Review the sponsor's track record and performance in similar markets and asset classes. Have they met or exceeded projected returns in past deals? How have they handled market challenges and changes in economic conditions?
- ✓ **Market Knowledge** – Does the sponsor have a deep understanding of the specific real estate market they operate in, including demand drivers, local economic conditions, and potential risks? A sponsor with strong market knowledge is better positioned to assess opportunities and challenges.
- ✓ **Ability to Execute a Plan** – Beyond experience, does the sponsor have a clear and realistic plan for managing and growing the asset? Review their operational strategy, financial modeling, and approach to mitigating risk.
- ✓ **Real Estate Tax Strategy Expertise** – Does the sponsor understand and apply tax strategies like cost segregation, bonus depreciation, and 1031 exchanges to enhance tax efficiency for investors? A sponsor who understands real estate tax strategies may be able to create more favorable after-tax outcomes.
- ✓ **Co-Investment and Alignment of Interests** – How much of their own capital is the sponsor investing in the deal? While co-investment doesn't guarantee performance, a sponsor with significant personal capital in the deal may have greater incentive to focus on long-term success.
- ✓ **Transparency and Communication** – How often does the sponsor provide investor updates, and how transparent are they about both positive and negative developments? Strong, consistent communication is key to maintaining trust and helping investors stay informed throughout the life of the investment.

Step 5: Review the Offering Memorandum & Financials

Before committing capital, investors receive a Private Placement Memorandum (PPM) outlining:

- Investment strategy and projected returns
- Risks and potential downsides
- Exit strategy and expected hold period (e.g., 5-7 years)

Case Study: A Real-World Example of Passive Investment Success

To illustrate the power of real estate syndications, let's take a look at one investor's journey.

Meet Jake: A First-Time Real Estate Syndication Investor

Jake, a busy professional with a love for real estate but no desire to deal with tenants, maintenance calls, or property management, discovered real estate syndications while exploring ways to diversify his portfolio. After researching alternative investment options, he learned about **real estate syndications** and saw an opportunity to **diversify his portfolio, generate passive income, and take advantage of long-term appreciation**—all without the responsibilities of property management.

Jake's Investment

✓ **Investment Amount:** \$100,000

✓ **Hold Period:** 5 years

✓ **Investment Structure:**

- 8% preferred return**, accruing annually and paid based on available cash flow
- 80/20 profit split**, where LPs receive 80% of distributable earnings and GPs receive 20%
- Projected 20% IRR over five years**

How the Investment Performed

❖ **Year 1:**

- Jake received partial distributions as the property was still stabilizing.
- Any unpaid preferred return accrued for future years.
- The student housing market remained strong, with pre-leased occupancy driving demand.

 **Year 3:**

- **Full preferred return distributions were met**, and Jake started receiving consistent passive income.
- Increased rental rates and demand boosted his returns.
- He benefited from depreciation and other tax efficiencies, further optimizing his investment.

 **Year 5 (Exit Year):**

- The property was sold for **40% more than the original purchase price**.
- Jake received his initial **investment back, plus a total return reflecting a 20% IRR**.

Total ROI for Jake's \$100,000 Investment:

- ✓ \$40,000+ in passive income distributions over five years.
- ✓ \$60,000+ in appreciation from the sale.
- ✓ \$100,000+ in total gains (doubling his original investment, equating to a 20% IRR).

 **Key Takeaways from Jake's Experience:**

- He gained **consistent passive income, appreciation, and tax benefits**.
- He had **no day-to-day management responsibilities**, making the investment truly hands-off.
- By **leveraging the syndication model**, Jake accessed a large-scale real estate investment that would have been out of reach as an individual investor.

For Jake, real estate syndications turned out to be the perfect way to grow his wealth while still enjoying his free time, traveling, and focusing on his career—without the headaches of active property management.

Final Thoughts

Why Now Is a Strategic Time to Invest

Real estate syndication is one of the **most effective ways for investors to participate in large-scale real estate opportunities** without the burden of direct property management. By pooling resources with other investors, individuals can **access high-quality properties, benefit from professional oversight, and enjoy the financial advantages of passive real estate investing**.

Real estate has historically been a **stable and income-producing asset class**, and **syndications provide a strategic way to participate in market growth**. With demand for housing—especially in thriving regions—outpacing supply, **well-structured syndication opportunities create the potential for attractive returns through passive income, property appreciation, and professional management**.

Final Words of Advice

Investing in syndications is a long-term strategy that requires due diligence, patience, and alignment with your financial goals. Before committing to an opportunity, take the time to:

- ✓ **Understand the Investment Structure** – Know how profits are distributed, what fees are involved, and how your capital will be used.
- ✓ **Evaluate the Sponsorship Team** – A strong syndicator with a proven track record is crucial for the success of the investment.
- ✓ **Review Market Fundamentals** – Ensure the property is in a growing market with strong demand drivers, such as job growth, population increases, and limited supply.
- ✓ **Assess Your Risk Tolerance** – While syndications offer diversification and passive income, they are typically long-term investments with limited liquidity.

For those looking to expand their portfolio and build wealth through real estate, syndication offers a compelling way to invest in high-demand markets while benefiting from professional management and tax advantages. The key is to stay informed, choose opportunities wisely, and invest with confidence.

Thank you for taking the time to learn about real estate syndications. I hope this book has provided valuable insights into how syndications work and how they can complement your overall investment strategy. I'd love to answer your questions. My contact information is below!

- 👉 Connect with me on LinkedIn for ongoing insights and updates on the real estate market and syndication opportunities. ([Michelle Goheen, CPA](#))
- 👉 Send an email to investorrelations@collegiate-capital.com to join our distribution list and receive updates on future opportunities.
- 👉 Visit www.collegiate-capital.com to learn more about current offerings and to stay informed about future investment opportunities.
- 👉 If you'd like to schedule time to discuss how syndications might fit into your portfolio, you can book a call with me directly using my Calendly link [\[HERE\]](#).