

DELAWARE STATUTORY TRUST “DST” A 1031 EXCHANGE REPLACEMENT PROPERTY ALTERNATIVE

What is A “DST”?

A Delaware Statutory Trust “DST” is a potential solution for individuals looking to complete an IRS § 1031 exchange who may not have the time, energy, desire or real estate experience to find and or manage replacement property.

A “DST” is a professionally managed real estate portfolio in the form of a business trust that qualifies as a “Like Kind Exchange” which allows someone selling investment real estate to complete an IRS § 1031 Exchange into an existing real estate portfolio.

Investors in a DST own an undivided interest in the assets held by the trust. The trustee holds title to the assets for the benefit of the trust interest owners. **Investor’s in DST’s must qualify as Accredited Investors.**

SITUATIONS WHERE “DST’S” MAY BE AN OPTIMAL SOLUTION:

1

AN EXCHANGER WANTS TO SELL PROPERTY AND NO LONGER ACTIVELY MANAGE THEIR REAL ESTATE.

An exchanger can exchange into a DST and receive distributions from the portfolio of real estate without the burden of actively managing the assets.



2

AN EXCHANGER IS NEARING THE END OF THEIR 45-DAY IDENTIFICATION PERIOD AND HAS NOT IDENTIFIED A REPLACEMENT PROPERTY OR PROPERTIES IN THE AMOUNT NEEDED.

The Exchanger can identify 1 or several DST’s and exchange into them in a relatively short period of time after identification to complete the 1031 exchange within the time constraints. An exchanger also can exchange a portion of proceeds into another property and a portion of proceeds into a DST or DST’s.

3

WHEN A CLIENT HAS SOLD A PROPERTY, AND WOULD LIKE TO DIVERSIFY GEOGRAPHICALLY AND OR BY PROPERTY TYPE.

DST’s can hold assets that are geographically diverse. Buying different DST’s with different property types allows for additional diversification.



EXAMPLES OF DST'S:

- A portfolio of geographically diverse NNN single-tenant retail buildings with 10 to 20-year leases with a credit tenant. Tenants may include Walgreens, Advanced Auto Parts, Family Dollar
- A large Class A apartment community in a strategic city
- A portfolio of regionally diversified self-storage facilities
- A portfolio of medical office buildings
- A portfolio of large industrial warehouses

DST ADVANTAGES

- Access to institutional quality real estate
- Institutional management
- Passive ownership
- Institutional financing tax reporting (Grantor letter)
- Lower minimum investment
- Non-recourse financing to investor

DST DISADVANTAGES

- Loss of control
- Long-term holding periods
- Higher fees
- No control or involvement in property management
- No public market exists for the DST interest and it's highly unlikely that such a market will develop

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Real Estate / 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 – These assets 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. • Stated tax benefits – Any stated tax benefits are not guaranteed and are subject to changes in the tax code. Speak to your tax professional prior to investing.