The 1031 Times

1031 Exchange and Tax Deferral News for Real Estate Investors Nationwide

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Inside Scoop:

SPECIAL REPORT

Tax Saving Strategies All Investors Must Know About!

By Matt McFarland

With any administration change or shift in political power, taxpayers can expect different aspects of their tax situation to change. Whether these proposed tax hikes and fiscal policy changes are just empty campaign promises or will actually be enacted into the tax code, one never truly knows.

Regardless, it is important for investors to always be aware of their financial surroundings and

See STRATEGIES on page 4...

How do I Avoid a 20%+ tax hit?

A 1031 exchange may be the answer

By Jason Salmon

The basics: If you own investment real estate — that means a rental condo or home, apartment building, a commercial building, raw or vacant land or otherwise — you do not have to pay taxes when you sell the property. Uncle Sam has had section 1031 of the Internal Revenue Code in place since 1921. Also known as a 1031 exchange, this provision allows a seller of property held for investment or business purposes to "replace" their "relinquished" property in a "like-kind" exchange.

Implications of paying taxes: In certain cases, taxes on highly appreciated real estate in high-tax states can pack a pretty mean punch; potentially around 50%. This is comprised of taxes for long-term capital gains (up to

See TAX HIT on page 5...

MAILING PANEL

The Fundamentals of 1031 Exchanges

Welcome to 1031: 101!

If you've come to our metaphorical class here, you likely have a few questions. Here are some of the most common:

WHAT IS A 1031 EXCHANGE?

A 1031 exchange is a procedure that allows the owner of investment property to sell and acquire another "like-kind" property while deferring capital gains tax. The name comes from IRS Section 1031 and has morphed into a verb in the investment real estate world — as in, "Let's 1031 this property for that one."

WHAT QUALIFIES FOR A 1031 EXCHANGE?

While the idea is a simple one, the execution is a bit more complex. There are very specific definitions and time frames to which users must adhere to qualify for a 1031 exchange.

The most important thing to keep in mind just might be how to define a "like-kind" property. That doesn't mean you must exchange one apartment complex for another; there's actual considerable flexibility there. For instance, you can sell an apartment complex and purchase a retail building, you can sell a retail building and purchase an industrial building, you can sell an industrial building and purchase raw land, etc. However, you can't exchange a property for a business, for example. It's also worth noting that a 1031 exchange can only involve property held for investment, not personal use and, to maximize the benefits of a 1031 exchange, the replacement property should be of equal or greater value than the original.

What's often forgotten in the lead-up to an investment property's sale is how quickly the 1031 clock starts. After that sale, you have 45 days to choose a property with your qualified intermediary (the escrow-like company that holds your exchange proceeds after you sell your relinquished property). From there you must close on that property within 180 days of the sale to qualify for the 1031 benefits.

WHY SHOULD I DO A 1031 EXCHANGE?

You know the saying about death and taxes? Well, at least you can defer one of those with a 1031 exchange. Typically, when you sell an investment property, you're subject to several different taxes. But by trading one like-kind property for another via a 1031 exchange, the IRS lets you defer a considerable amount of taxes.

Without a 1031 exchange, you can be taxed at a rate of 25 percent on all depreciation recapture. Depending on your taxable income, you would owe federal capital gains tax of at least 15 percent and as high as 20%. On top of that is the state capital gains tax which is anywhere from 0-13.3%. Lastly, there is a 3.8

see WELCOME on page 4...

FROM THE PUBLISHER

Hello and welcome to the 1031 Times!

We are excited to have you join us on your journey of exploring 1031 exchanges and Delaware Statutory Trust (DST) properties.

Inside this issue you will learn all about what makes DST properties a growing investment choice for 1031 exchange and cash investors nationwide. Each section of this magazine is designed to increase your knowledge of how DST properties work, their potential benefits and risks, what markets we are buying in at Kay Properties, how Kay Properties is different than others, current DST property inventory and much more.

We think that you will enjoy this educational and informative overview of your DST 1031 exchange opportunities and as always the entire Kay Properties team is available to answer any and all questions you may have.

Thank you and happy reading!

Best Regards,

Dwight Kay

Editor of The 1031 Times and Founder/CEO of Kay Properties and Investments, LLC

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THE 1031 TIMES

Helping Educate Delaware Statutory Trust (DST) Investors Nationwide

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ABOUT KAY PROPERTIES *and* www.1031times.com

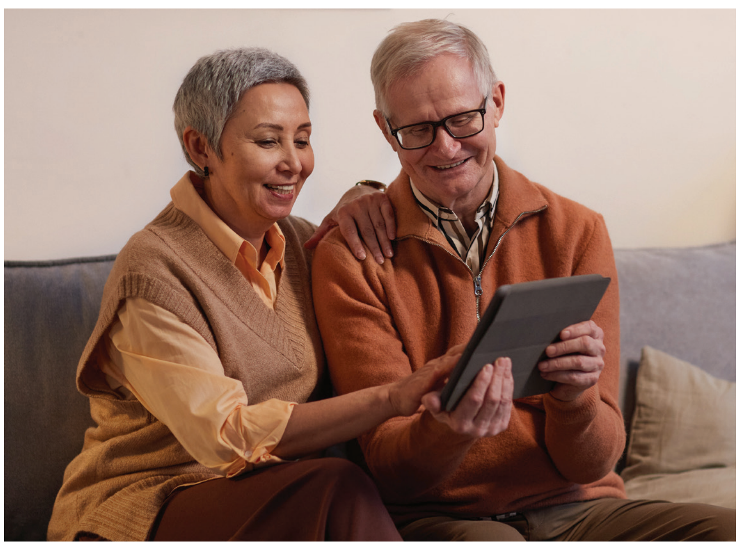
KAY PROPERTIES IS A NATIONAL DELAWARE STATUTORY TRUST (DST) INVESTMENT FIRM.

The www.1031times.com platform provides access to the marketplace of DSTs from over 25 different sponsor companies, custom DSTs only available to Kay clients, independent advice on DST sponsor companies, full due diligence and vetting on each DST (typically 20-40 DSTs)and a DST secondary market. Kay Properties team members collectively have over 115 years of real estate experience, are licensed in all 50 states, and have participated in over $21 Billion of DST 1031 investments.

LEARN MORE: **www.1031times.com** **1 (888) 966-2977** **info@kpi1031.com**

Risks and Disclosures - Please Read

FEATURE STORY



Five Musts When Deciding To Do A 1031 Exchange

By Dwight Kay
and the Kay Properties Team

A 1031 exchange is a legal way for investors to defer their capital gains taxes on the sale of real estate held for investment or business purposes. It allows one to defer taxes on a property sale as long as they follow specific 1031 rules and guidelines.

In other words, you have the potential to keep all your profits working for you with the purchase of your next investment property, without the IRS coming after you looking for their share of the pie. Here are five things to remember before a 1031 exchange.

1 TAXES ARE APPLICABLE IN A NON-1031 EXCHANGE

When an investor sells a property that has gone up in value, this results in several types of taxes. These include capital gains taxes, which the investor must pay if they sell the asset at a price higher than they initially paid for it. Federal capital gains are taxed at 15-20% of the increase in value, while state capital gains are taxed between 0 - 13.3% of the increase in value.

Depreciation recapture taxes are taxes due when the seller had claimed depreciation expenses on the sold property. Depreciation recapture is currently taxed at 25% of the amount you have depreciated over the years. Other taxes incurred on property sales include the 3.8% Medicare surtax.

All these taxes are able to be deferred if you do a 1031 exchange. But if you choose to sell your property without a 1031 exchange, ensure you consult a reputable attorney and CPA so you can know what your full tax bill will be when

see FIVE MUSTS on page 5...

If You're a Serious Investor, You Need to Know About the IRS Code Section 1031

— this section of the IRS code is commonly referred to as "the 1031 exchange."

The 1031 exchange allows investors to defer taxes through the exchange of investment property for investment property, or "like for like." Recently enacted tax legislation stipulates that the 1031 exchange can only be utilized if a property is purchased or exchanged for real estate used for business or investment purposes.

The History of the Delaware Statutory Trust

After the Tax Cuts and Jobs Act was enacted in late December 2017, 1031 exchanges were dramatically impacted. Prior to this, the exchange of personal property was allowed under Section 1031. The new

see SERIOUS on page 6...

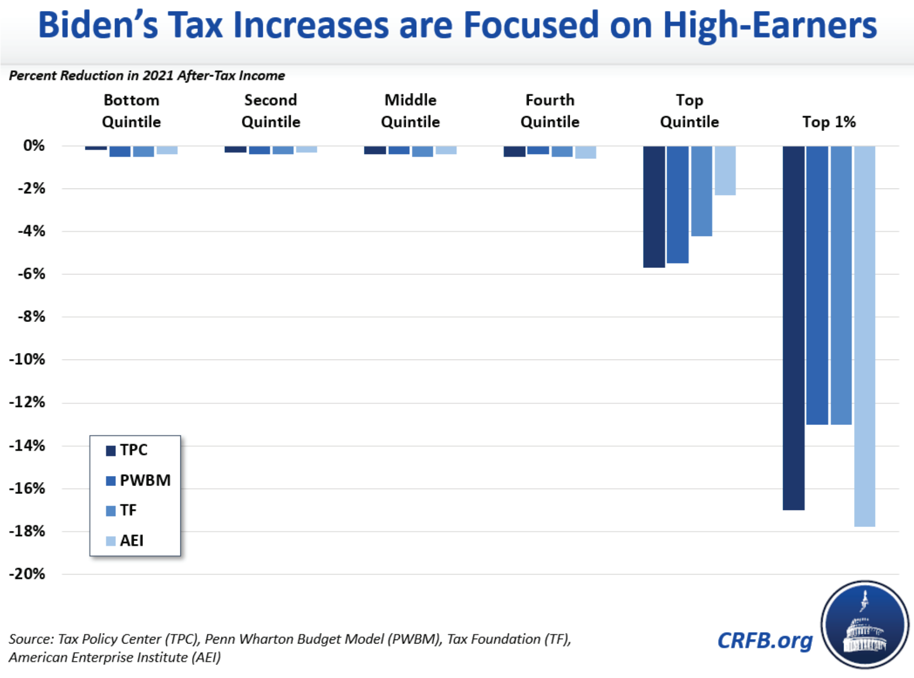
GUIDELINES (continued from Back Page)

your relinquished property for $1 million you have the opportunity to identify up to $2 million worth of property. DST investors often utilize the 200% rule because their DST choices for a diversified portfolio 1031 solution exceed the three-property rule. The last ID rule that exchangers can utilize is the "95% rule." This rule states that you as an exchanger can identify more than three properties with a total value that is more than 200% of the value of the relinquished property, but only if the investor acquires at least 95% of the value of the properties they have identified.

It is imperative that you as an exchanger understand how the rules work. One of the reasons is to make sure that you're in line with IRS guidelines with the guidance of the qualified intermediary (QI). It should also be noted that if you are looking to remove any of your 1031 exchange proceeds from your QI / Accommodator you must do so before your 45 Day Deadline. Due to regulation, once an exchanger passes the 45th ID deadline date, they must either invest their proceeds into properties that have been identified, or the QI will withhold the proceeds until after the 180th

see GUIDELINES on page 8...

STRATEGIES (continued from Front Page)



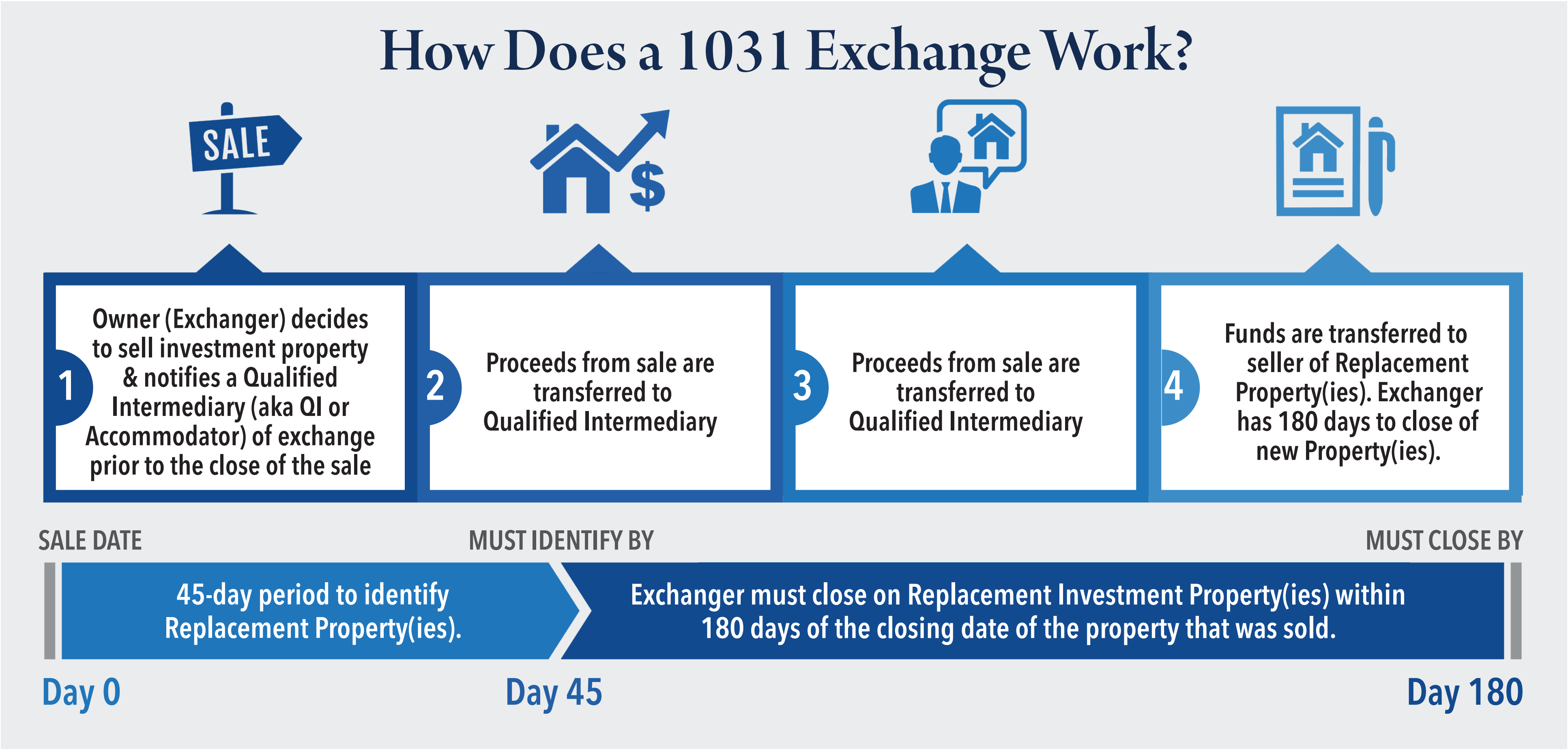
be prepared for these changes, especially if these changes will have a significant effect on their estate and expose them to significant tax increases.

The truth of our national financial situation, after an unprecedented year of lockdowns and crippling unemployment, is that the Federal Reserve has printed $6.55 trillion in 2020, bringing the total federal budget deficit to a record $3.1 trillion in the 2020 fiscal year. The deficit is the difference between what the country spends and the taxes and other revenue received. This brought our national debt to over $27 trillion to close out 2020.

In an attempt to lessen the deficit in 2021 and afford many other proposed social programs, the new administration has released a tax plan to RAISE TAXES across the board. With the full control of Congress, Biden's proposed tax plan carries even more weight, as his path to enacting new fiscal policies will likely have less challenge.

One key component of this proposed tax plan that investors need to be aware of is the likely increase in capital gains taxes. These proposed TAX HIKES will largely affect Americans earning more than $400,000 a year and has proposed taxing long-term capital gains at the highest federal tax rate of 39.6% FOR TAXPAYERS who earn over $1 million. This figure doesn't even account for the 3.8% Affordable Care tax surcharge, also known as "OBAMACARE TAX" or the individual state level capital gains tax rates, which currently are as high as 13.3% for high income earners. Many speculate that on

See STRATEGIES on page 6



WELCOME (continued from page 2)

percent Medicare surtax as well.

WHAT SHOULD I 1031 EXCHANGE INTO?

We've already established that you must exchange your investment property for a like-kind property. However, there are many different options for you to execute a 1031 exchange.

The most obvious is trading one property you manage for another. An example: you sell a duplex and purchase a commercial building. In that instance, you're maintaining your role as landlord, which comes with responsibilities such as repairing issues, dealing with individual tenants, property management, asset and property level accounting and processing rent.

The role of the investor is very involved.

A slightly more passive approach is to exchange into a triple-net property. In this case, you're leasing your property to a tenant who often agrees to pay the majority of expenses associated with the property. This can include taxes, insurance and maintenance. But it does not mean the investor just gets to kick back. You are still often responsible for those many needs of a property — including coordinating and paying for repairs, paying property tax bills, and processing invoices. The difference from a standard lease is that you are then billing the tenant for those expenses and now tasked with the fun job of tracking down the tenant and getting them to actually reimburse you for them. Our firm has owned many triple net properties over the years and we have to have full time asset management, accounting and legal teams to look after the triple net properties and run them efficiently. For an investor to think that the triple net property option is a passive endeavor is wishful thinking!

see WELCOME on page 7...

At Kay Properties & Investments, we specialize in DSTs, offering a variety of qualifying properties. However, if you've never invested in a DST, you may have questions regarding what it requires, its benefits, or even simply, what does DST stand for? To see if a DST investment may be right for you, we break down what it entails and what it has to offer investors.

What is a DST?

Created as a trust under Delaware statutory law, a Delaware Statutory Trust (DST) is a separate legal entity acting as a fixed investment trust, that acquires and maintains assets such as securities, real estate, etc. In 2004, under the IRS Revenue Ruling 2004-86, DSTs were blessed by the IRS to qualify as a like-kind property for the purposes of a 1031 exchange. They have since been vastly popular because of their allotted passive ownership and have become the most preferred investment vehicle for 1031 exchanges due to the many benefits they offer investors. With a typical minimum

see DST on page 6...

TAX HIT (continued from Front Page)

20%), depreciation recapture tax (25%), the net investment income tax (NIIT) that was embedded in the Affordable Care Act (3.8%), and state tax (from 0-13.3%, depending on the state you live in).

By the numbers: As an example, if you owned an investment property valued at $1 million that was yielding an annual return of 5%, and when you sold the property and paid the taxes (let's say 50% for illustrative purposes), you would have been left with only $500,000. You would have to go considerably higher up the risk spectrum to receive a 10% return in order to receive the same $50,000 of projected income for the year. Many would say, that from a financial standpoint, it is wise to exchange your property, defer your taxes and keep your full $1 million working for you.

Death and taxes: In a 1031 exchange, the real estate basis is being carried forward. It will continue to do so with all subsequent exchanges. When a property owner passes away, their beneficiaries receive a stepped-up basis. This can prove to be quite advantageous when considering estate planning as the capital gains taxes are eliminated.

-Message to the reader - I realize that some of the terms and content in the first part of this article may seem technical. Notwithstanding, if you own investment real estate, this is important. Your CPA and attorney will be familiar with the jargon and with the subject matter. If they are not, find another CPA and/or attorney.

— Jason Salmon

Maximizing value: Many private real estate investors have a buy and hold approach; and this conventional wisdom is a sound strategy. If we look to the institutional real estate investment model (that followed by university endowments, pension funds, foreign governments and real estate investment trusts), the exit is a vital part of how a deal is underwritten. It is tremendously important to seek to sell an asset when opportunity presents itself. Having the ability

See TAX HIT on page 9

Examples of 1031 Exchange Offerings

FIVE MUSTS (continued from page 3)

adding up federal capital gains, state capital gains, depreciation recapture and the medicare surtax.

❷ YOU NEED A QUALIFIED INTERMEDIARY

A 1031 exchange isn't as simple as selling and reinvesting in another property. You must first transfer the relinquished property to an intermediary or an accommodator so they can execute the sale on your behalf. This is a process whereby your sale contract is assigned to the qualified intermediary and when the property closes your funds are then wired to your account at the qualified intermediary. From there you will instruct which properties you would like the qualified intermediary to purchase on your behalf. Kay Properties is not a qualified intermediary, however we work with many throughout the country, so if you would like a referral please let us know.

❸ YOU CAN ONLY PURCHASE A LIKE-KIND ASSET

For you to defer taxes via a 1031 exchange, you must reinvest the profits from the sale in

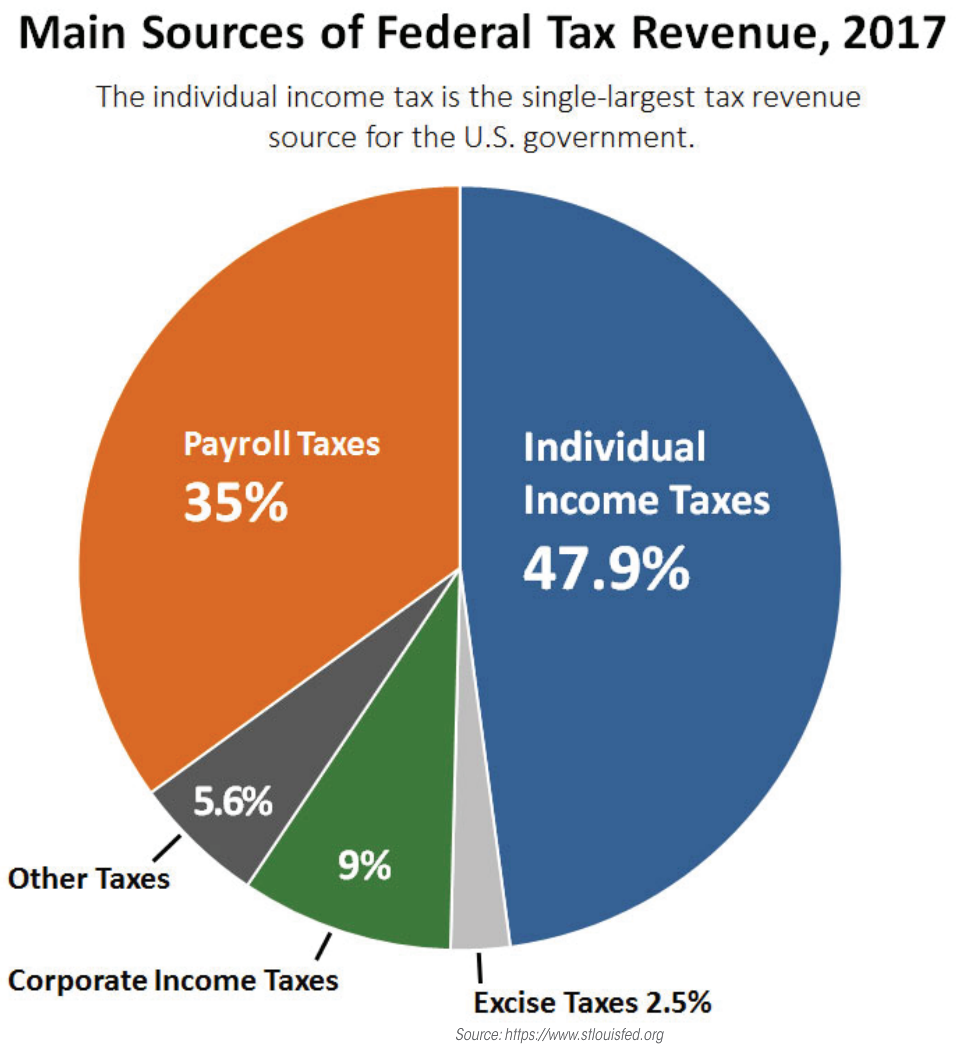
See FIVE MUSTS on page 10

STRATEGIES (continued from page 4)

the individual state level these rates will increase in 2021, which could push the total capital combined federal and state tax rate to OVER 55% for high tax states like California. In addition to capital gains, real estate investors must also be aware of the depreciation recapture tax, which is typically assessed at 25% on the federal level. All combined, the cumulative taxation that already faces real estate investors is debilitating, and with the expected increases, completely devastating.

BUT WAIT….THERE IS HOPE!

Though the awareness of this level of taxation can be overwhelming, there is hope for investors who take advantage of the 1031 exchange, Qualified Opportunity Zones, and other tax-advantaged investments. Section 1031 of the Internal Revenue Code allows investors to defer the taxes due upon sale of investment real estate as long as they reinvest 100% of the proceeds into another "like-kind" investment property in accordance with the plan the IRS lays out. In addition to the 1031 exchange, Qualified Opportunity Zone investments can similarly allow investors to defer and mitigate tax exposure when it comes to the sale of any appreciated investment. ■



SERIOUS (continued from page 3)

legislation is now restricted to real property exchanges.

The 1031 exchange stipulates that you must exchange like-kind real estate and purchase equal or greater value with all of the net equity proceeds from a sale to completely defer taxes. There can be many challenges when using the 1031 exchange including, but not limited to, difficulty in locating available like-kind property, exposure to different asset classes, and finding something in one's price range. One must be able to identify the new property or properties within 45 days and close on the property within 180 days to defer taxes. This is not realistic in all scenarios and that is where a Delaware Statutory Trust can become useful.

The IRS provided clarity for their view of the Delaware Statutory Trust or DST for 1031 exchanges in 2004 under IRS Revenue Ruling 2004-86. A DST is a legal entity that

See SERIOUS on page 8

DST (continued from page 5)

investment of $100,000 investors may purchase units of interests in a DST and participate as beneficial owners of the property. Ranging from large apartment complexes and healthcare facilities to industrial and net-leased real estate, DSTs offer investors the chance to participate in higher-grade real estate investments that they often normally wouldn't be able to afford. This allows them the opportunity to further distribute their exchange proceeds among multiple properties and to increase their diversification.

Benefit Potential of a DST

Being that a DST is not considered a taxable entity, all of its profits, losses, etc. are passed on and distributed to its beneficiaries without landlord duties, resulting in what is perhaps the greatest potential benefit of a DST – the passivity it allows investors. Due to its structure, investors of a DST can participate in certain types of real estate without having to manage or hold title to them; meaning the properties are professionally managed, upkept, and maintained by a separate, experienced party and therefore grants investors more freedom and no management responsibilities while still potentially benefiting from its monthly income. Additionally, DST property investments often have diverse leverage amounts, which can not only facilitate an investor taking on equal or greater debt, but often to the exact amount they would like to take on. When compared to typical loan to value (LTV), DSTs may be available at lower LTVs, including all cash / no debt to rid the transaction of all financing risks. Kay Properties & Investments is a wealth advisory firm with a particular focus on DSTs. Call us today at 1 (888) 966-2977 to start your investment and receive a free list of our currently available DST properties.■

not renewing) their lease once a year, a Delaware Statutory Trust investor may potentially have 5-20 years of income already pre-arranged for. This both reduces the headaches of property management and provides potential distributions to investors. It is important to note that long-term leased properties, although attractive, can have problems too, such as tenants going out of business. It is important to review the tenant's business model, credit rating and future growth prospects to understand the level of risk one is assuming with a long-term leased property.

GROWING (continued from Back Page)

3 Potential for typically non-recourse debt – Most debt on Delaware Statutory Trusts is typically non-recourse which potentially limits an investor's liability to the lender. This helps to potentially protect an investor's other properties, investments, etc., should an investment fail. Especially for those investors switching to a Delaware Statutory Trust in retirement, non-recourse debt typically adds a layer of risk mitigation. Non-recourse debt is typically defined as a loan whereby the lender's only remedy in case of a default is the subject property itself and not the investor's other assets. Many investors that purchase commercial, multifamily and triple net leased properties on their own are often stuck with full or partial recourse loans from their lenders which increases overall risk substantially. With many DSTs, non-recourse debt is typically enjoyed by investors.

4 Potential for diversification into smaller dollar amounts – Delaware Statutory Trusts give investors access to real estate for smaller dollar amounts. In contrast, higher quality triple net leased properties (which are often compared to Delaware Statutory Trusts) typically have a price floor around $1,500,000. This not only allows more potential investors access to Delaware Statutory Trusts, but also allows investors to spread risk across multiple assets instead of concentrating it in one property.■

What Are The Basic 1031 Exchange Requirements For Full Tax Deferral?

1. Use a Qualified Intermediary (QI) – Upon close of escrow of the relinquished (sold) property the funds must be sent directly to a Qualified Intermediary who properly administers and documents the exchange for the taxpayer.
2. Identify replacement properties within 45 days of closing escrow on the relinquished property.
3. Reinvest 100% of the net sales proceeds into the replacement properties.
4. Closing on the replacement property must be the earlier of either 180 calendar days after closing on the sale of the relinquished property or the due date for filing the tax return for the year in which the relinquished property was sold; unless an automatic filing-extension has been obtained.
5. Purchase an equal or greater value in replacement properties as they had of relinquished property.

WELCOME (continued from page 4)

If, as an investor, you are looking for a fully passive exchange option, Delaware Statutory Trusts (DSTs) are potentially a good option. A DST is an entity that holds title to a piece of real estate and investors are able to buy in for typically 100k minimum investments. DSTs are used by investors to build a diversified portfolio for their 1031 exchanges whereby they can, for example, on an exchange with $1,000,000 of equity purchase 5 different DSTs in 200k increments. The investor may purchase 200k in a DST that owns a long-term net leased FedEx building, 200k in a DST that owns

a long-term net leased Amazon building, 200k in a debt-free multifamily DST apartment building in the Nashville metro area, 200k in a DST that owns 1,000 multifamily units among 3 properties in 3 different states and lastly 200k in a DST that owns a long-term net lease industrial building.

Additionally, the trust's sponsor is the asset manager of the property, which involves handling reimbursements from tenants and daily needs, repairing issues, processing rent and invoices, etc. This provides investors with a truly passive approach to their 1031 exchange and a change in lifestyle from the active duties of property management. DSTs are also a great backup plan to keep in mind due to the 1031 exchange tight timeframe. Because the trust already owns the properties, transactions can often be completed within just a few days.

See WELCOME on page 8

WELCOME (continued from page 7)

IS THERE AN OPTION IF I HAVE A FAILED 1031 EXCHANGE?

If a 1031 isn't on the table for you (for whatever reason that might be), the Tax Cuts and Jobs Act of 2007 created a new way to defer, reduce and, in some cases, eliminate long-term capital gains taxes: Opportunity zones. There are more than 8,700 qualified tracts scattered around the country. By investing your capital gains in one of those via a Qualified Opportunity Zone Fund, you will be able to defer any taxable gain until the fund is sold or Dec. 31, 2026, whichever comes first. Five years in, you receive a 10 percent step-up in tax basis with an additional 5 percent step-up after seven years. Hold the fund for at least 10 years and the new capital gains taxes generated from the opportunity fund investment are slashed to zero.

The 1031 exchange is a valuable tool in the real estate investors toolbox and with proper planning and understanding the investor can utilize the features of this piece of the tax code which has been around since 1921. To learn more about 1031 exchanges and your 1031 exchange options utilizing DST, NNN and Opportunity Zones please visit www.1031times.com. You will also, upon registering, be sent a free book on 1031 exchanges. ■

SERIOUS (continued from page 6)

has already purchased and financed investment property. The trust permits fractional ownership where multiple investors can share ownership of a single property or an entire portfolio of properties. Using a Delaware Statutory Trust in the 1031 exchange can be a good option for individual investors looking to diversify and mitigate concentration risk. This can be done by diversifying one's proceeds into different geographical areas, different asset classes, across different DST companies, etc. Utilizing the DST takes the stress out of meeting the stipulations of the 1031 exchange by creating readily available inventory and quick closing procedures.

To learn more about the Delaware Statutory Trust properties and the 1031 exchange process, please reach out to your Kay Properties registered representative. ■

GUIDELINES (continued from page 3)

day. Once the 180th day is reached, funds will be released back to the exchanger and the investor will likely be liable for the taxes they owe on the amount that was received. If you would like more guidance or suggestions on your upcoming 1031 exchange, please feel free to contact Kay Properties and Investments, LLC. We will promptly have a representative contact you to walk you through the steps to have a successful exchange. ■

1031 Exchange Timeline

Close of Escrow → **45 Days** → → **180 Days**

Close of Escrow: Exchanger closes escrow on down-leg property and funds are transferred to the Qualified Intermediary.

45 Days: Exchanger has a total of 45 days to identify the chosen replacement properties with his/her Qualified Intermediary.

180 Days: Closing on the replacement property must be the earlier of either 180 calendar days after closing on the sale of the relinquished property or the due date for filing the tax return for the year in which the relinquished property was sold; unless an automatic filing-extension has been obtained.

What Properties Can Be Used in a 1031 Exchange?

If you are interested in selling your real estate, the phrase "1031 exchange" has certainly come up once or twice in your research, as an outright sale can trigger large tax consequences. The capital gains and depreciation recapture taxes can be a serious dent in the return you expected to earn from the sale of your real estate. A 1031 exchange is a process by which an investor can defer the taxes they would pay upon sale of their investment property. It is important to understand how the 1031 exchange can be utilized.

A 1031 exchange may be performed if the property sold and the following property or properties purchased are both considered investment property. Investment properties are those that are used for business or investment purposes. Raw land, land with mineral rights, multi-family, and commercial real estate can all qualify as "like-kind" for the purposes of a 1031 exchange. Any property that falls outside that definition would not qualify. A primary residence or any property in which one stays more than two weeks in a year is NOT considered an investment property.

Again, an investment property must be exchanged for another investment property. Properties can only be exchanged if they are used for investment purposes like residential rentals, multifamily, condominiums for rent, commercial, industrial, retail etc. Furthermore, there are many 1031 exchange alternatives one may consider. A Delaware Statutory Trust is a great example. With DST real estate, an investor is able to exchange into properties and own a fractional interest in the real estate. Instead of investing the entirety of the proceeds

See PROPERTIES on page 10

Examples of DST Properties


MULTIFAMILY APARTMENTS


GOVERNMENT LEASED BUILDINGS


TRIPLE NET "NNN" LEASED PROPERTIES


ALL-CASH/DEBT-FREE PROPERTIES


HEALTHCARE AND MEDICAL RELATED BUILDINGS


50-60% LEVERAGED PROPERTIES

TAX HIT (continued from page 5)

to monetize your asset and get a potential premium in the marketplace makes sense, especially when a tool as valuable as the 1031 exchange can play a part in taking real estate investing to the next level.

Options: There are several directions to go for real estate investors in a 1031 exchange.

One way is to find an asset with active management responsibilities — that means tenants, toilets and trash. If an investor wants a hands-on property with day-to-day landlord responsibilities, this would be the appropriate way to go.

Another is a passive real estate investment — a net-leased asset, specifically NNN (triple-net) real estate passes through taxes, insurance and property maintenance expenses to the tenant that occupies the property. These types of investments can be attractive,

see TAX HIT on page 10

FIVE MUSTS (continued from page 5)

like-kind property. In other words, if you sell a property held for investment or business purposes in a 1031 exchange, the replacement property must be of the same character. For example, you could sell an apartment building and purchase a commercial building or you could sell a rental home and purchase a DST 1031 investment.

❹ REMEMBER DEADLINES

1031 exchanges are subject to deadlines. If you sell a property today, you're expected to have identified the replacement property within the next 45 days and reinvested the proceeds in it within 180 days. But if you've already identified the replacement property, you can reinvest immediately.

❺ UNDERSTAND YOUR OPTIONS

Once investors have decided to do a 1031 exchange they should consider their options. First, they could purchase another type of investment property that they would manage on their own. Second, they could purchase a triple net lease property whereby a national tenant such as Walgreens or FedEx has leased the property for typically 10-15 years. The problem with the triple net leased properties is that it causes investors to place a large portion of their net worth into a single property which could be disastrous (think Blockbuster Video). Third, if the investor is wanting to get out of active management and the day to day issues of dealing with tenants, toilets and trash as well as wanting to diversify their investments into multiple properties, then a DST 1031 exchange may be a solution. The DST (or Delaware Statutory Trust) is a type of property whereby the management is handled by a third party trustee, and since the typical minimum investment of a 1031 DST offering is $100,000, investors are able to purchase a diversified portfolio of Delaware Statutory Trust properties that may include a piece of Walgreens for 100k, piece of a FedEx distribution warehouse for 100k and a piece of a 800-unit portfolio of multifamily properties located throughout the south east and Texas.**

If you are interested in learning more about your 1031 exchange options please get in touch with us today to learn more. ■

TAX HIT (continued from page 9)

but the investor must be sophisticated and understand the space (i.e., lease negotiations for renewals, how inflation affects value, financing implications, etc.).

There are also truly passive real estate investments that allow those in 1031 exchanges (as well as those wishing to make a direct cash investment) to own a fractional interest in a large institutional asset or portfolio of assets. Utilizing this strategy allows an investor to diversify across multiple asset classes, geographies and asset managers. The structure that is often used for this model is a Delaware Statutory Trust or DST.

Summary: The 1031 exchange is a fantastic tool that many real estate investors have employed for years. It is used for $100,000 transactions; it is used for $100,000,000 transactions — and everything in between. The process can be quite straightforward with the guidance of a professional that has expertise in the space. This topic will be expanded upon in future articles with the hope that you will gain insight on how to make the most of your real estate investments.■

PROPERTIES (continued from page 9)

into another property, one for one, an individual is able to invest in multiple pieces of property as a fractional and passive owner. Under the DST structure, fractional real estate ownership is still considered eligible for 1031 exchange. This is a helpful way to potentially diversify into a portfolio of properties, thereby buffering the risk of having "all your eggs in one basket" by buying a single property. Utilizing the DST structure, one can own fractional interest of multiple properties with the opportunity for several geographic locations as well as with various asset managers running each real estate investment as part of a diversified 1031 solution into DSTs.

These are illustrative examples of 1031 DST offerings. Future available 1031 DST offerings and tenants may be different. Diversification does not guarantee profits or protect against losses. ■

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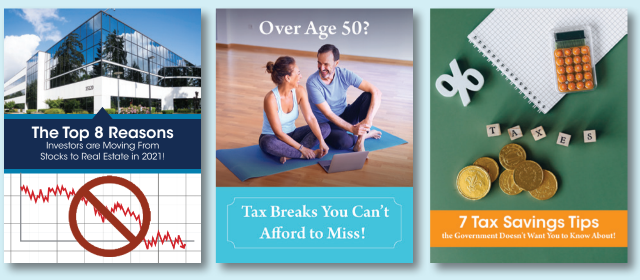

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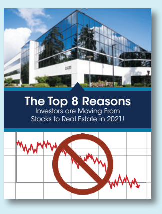

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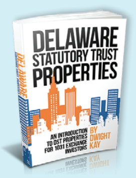

FREE BOOK: Delaware Statutory Trust Properties – An Introduction to DST Properties for 1031 Exchange Investors
This comprehensive guidebook serves as your "101-level" introduction to DST investments. You'll learn the fundamentals of 1031 exchange investing, including the simple – yet critical – steps to take when getting started.

FREE LISTINGS GUIDE of 1031 Exchange Properties
Complete current listing directory of 1031 exchange properties available for immediate investment. Examine the complete listing of currently available properties and consider which might be right for you in the months ahead.

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In this FREE webinar, you'll learn:
- **How the 1031 exchange process works**
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- **What to look for when considering a 1031 exchange, DST and/or NNN property**
- **What kind of leverage is available in today's DST and NNN marketplace**
- **And much more!**

WEEKLY CONFERENCE CALLS – Each week we go over DST 1031 properties, including what to look for when considering a DST...reasons why investors choose DST properties as their 1031 replacement property...and which properties and asset classes we recommend avoiding.

Call 1 (888) 966-2977 today and speak with one of our real estate investing professionals. Our staff has a combined 115 YEARS of real estate experience, are licensed in all 50 states, and have participated in over $21 BILLION of DST real estate – and now you can put their expertise to work for you!

ABOUT KAY PROPERTIES and www.1031times.com

WHO WE ARE

Kay Properties is a national Delaware Statutory Trust (DST) investment firm.

The www.1031times.com platform provides access to the marketplace of DSTs from over 25 different sponsor companies, custom DSTs only available to Kay clients, independent advice on DST sponsor companies, full due diligence and vetting on each DST (typically 20-40 DSTs) and a DST secondary market. Kay Properties team members collectively have over 115 years of real estate experience, are licensed in all 50 states, and have participated in over $21 Billion of DST 1031 investments.

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WHAT'S HAPPENING

Los Angeles, CA

Kay Properties Real Estate Offering Goes Full Cycle on Behalf of Investors

Kay Properties and Investments today announced that one of their joint venture private placement real estate offerings has gone full cycle. The offering generated a 22.27% Return on Investment (ROI)* in approximately 1 year and was made available to accredited investors under Regulation D Rule 506(c) at 25k minimum investment....

READ more at www.1031times.com

Los Angeles, CA

Kay Properties Custom 1031 Exchange DST Investment Offering Goes Full Cycle on Behalf of 1031 Exchange Investors

Kay Properties and Investments today announced that one of their custom 1031 exchange Delaware Statutory Trust -DST offerings has gone full cycle and was sold on behalf of investors. The offering generated a total return of 131.42% for the 1031 exchange and direct cash investors*.....

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WHAT OUR CUSTOMERS ARE SAYING***

I did business with Kay Properties on two occasions... and was very satisfied. I would strongly recommend Kay.
B.S. – Beaufort county, NC

I cannot tell you how much we appreciated working with you; you made a really complicated situation much easier to manage.
P.C. – Humphreys County, TN

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*Free materials are for Accredited Investors only. Accredited Investors are generally considered to be those with a net worth over $1,000,000, excluding the value of their primary residence. Past performance is no guarantee of future results. Future results may differ from those shown. All real estate investments contain risk and income/distributions/appreciation are never guaranteed. These testimonials may not be representative of the experience of other clients. Past performance does not guarantee or indicate the likelihood of future results. These clients were not compensated for their testimonials. Please speak with your attorney and CPA before considering an investment.

** These are illustrative examples of 1031 DST offerings. Future available 1031 DST offerings and tenants may be different. Diversification does not guarantee profits or protect against losses.

Graphics sources: page 4 "Biden's Tax Increases are Focused on High-Earners" - https://www.crfb.org/blogs/would-joe-biden-significantly-raise-taxes-middle-class-americans ; page 4 "How do 1031 Exchanges Work" - http://www.plati1031.com/1031-exchange/; page 6 "Main Sources of Federal Tax Revenue" pie chart - Source: https://www.stlouisfed.org/open-vault/2018/march/purpose-history-federal-income-taxes

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4 REASONS Why We See **1031 DST Exchanges** Growing in Popularity

1 Free yourself from the three Ts of active management – tenants, toilets and trash. Many investors are attracted to Delaware Statutory Trusts because they offer the potential for a passive income stream. Active real estate management can be a time-consuming and tiring occupation. However, cashing out of a property held over a lifetime will usually incur a substantial capital gains tax hit that will erase much of the wealth that has been accumulated. Delaware Statutory Trusts allow an investor to utilize a 1031 exchange to acquire a professionally managed asset, which provides a potential source of income without the headaches of property management and asset management.

2 Access to long-term triple net leased (NNN) properties – Depending on the specific investment, Delaware Statutory Trusts can offer investors access to triple net leased (NNN) properties that range from 5-20 years on the primary lease term. This provides a potential long-term income stream without the hassle and risks of over-concentrating your net worth in one NNN property. This is particularly relevant for investors who are moving to a Delaware Statutory Trust from a multifamily, apartment or single-family rental investment. Instead of dealing with multiple tenants renewing (or

See GROWING on page 7

1031 Exchange **Guidelines and Deadlines**

By Orrin Barrow

The 1031 rules state that you have EXACTLY 45 days after the date of sale to identify property and EXACTLY 180 days to complete the sale of that property.

Within your 45 Days Identification window you can utilize three permissible identification methods. The first and most common for traditional 1031 exchanges are "the three-property rule." This states that you can identify 1, 2 or 3 properties, regardless of value. The policies also state that while using the three-property rule, you are not obligated to purchase all of the properties identified. You can purchase 1, 2 or all 3 properties at your discretion. The second rule that many DST investors utilize is the "200% rule." This rule stipulates that you can identify up to 200% of the value of your relinquished property. For example, if you sell

See GUIDELINES on Page 3

Inside Scoop: