



WHAT IS A 1031 EXCHANGE?

A 1031 Exchange is a transaction in which a taxpayer can sell one property and buy another without a tax consequence. This is generally done to avoid paying capital gains tax on the sale of appreciated property and/or property that has been substantially depreciated for tax purposes over a number of years, and therefore has a very low tax basis.

IRS Code Section 1031 allows a taxpayer to take up to 100% of the proceeds from the sale of property and purchase ownership in new property, while deferring the tax on the capital gain.

How the Exchange Works – The Basics

1. Seller arranges for the sale of property and includes exchange language in the sale contract.
2. At closing, sale proceeds are deposited with a "Qualified Intermediary" (QI) or escrow agent.
3. Seller identifies potential replacement property within 45 days.
4. Seller completes purchase of replacement property within 180 days by directing QI to release funds for closing.

Other Key Requirements:

- Must purchase replacement property of equal or greater value
- Must have equal or greater debt on the replacement property
- Must reinvest all proceeds to make the transaction completely tax deferred

Fractional Interest as Your Replacement



Section 1031 Exchanges have been part of the tax code since 1921. In 1995 the IRS began allowing for replacement properties to have multiple owners. This meant that a taxpayer no longer had to find and buy property on their own. The IRS rules provide that you can purchase/exchange into a partial interest of professionally managed real estate. Today that is usually accomplished through a Delaware Statutory Trust (DST).

What is a DST?

A Delaware Statutory Trust (DST) is a legal entity created under the laws of the State of Delaware. A DST is a trust that acquires real estate to be used as 1031 replacement property. Each taxpayer who exchanges into the DST becomes a "beneficial owner" of the Trust. Each owner's beneficial interest is based on the amount they exchange/contribute to the Trust. All income, expenses, appreciation, debt reduction, etc. is shared based on the owner's percent of interest in the Trust.



Potential Advantages of a 1031 Exchange via a DST

- Designed to provide a steady monthly income stream. This income can be counted on by surviving family members (Spouses and children) without the worry of property management
- Avoids current federal and state capital gains tax
- Properties are usually newer and typically located in areas of growing demographics
- Flexible investment amounts provide the ability to easily split the proceeds into multiple DSTs if desired, creating greater diversification. Diversification can be geographically, by asset class, anticipated holding periods, management firms, and more.
- DST allows for the continued use of depreciation to tax shelter the income created. In addition, some DST properties are in states that have no state income taxes, like Florida or Texas, providing even more tax savings. This maintains, and in some cases, helps to improve, your tax sheltering ability.
- Eliminates personal guarantees by utilizing non-recourse loans
- Allows for passing the appreciated asset to beneficiaries, using “stepped up basis”, thus avoiding the payment of capital gains tax forever!

Who Creates the DST



Today there are several national managers (Sponsors) of property that create DST's for use in a 1031 Exchange. These firms professionally manage billions of dollars of real estate. Investors in a DST are utilizing their expertise in management, tenant relationships, acquisitions, dispositions, leasing, financing, geographic knowledge, and industry research. Concorde works with you in selecting the best firm and property to use for your 1031 exchange.

Concorde Group – Our Role

The professionals at Concorde are CPA's, tax professionals, and licensed Investment Securities Representatives specializing in 1031 exchanges. Using our tax background, investment experience, and real estate expertise, we scrutinize each DST program and sponsor. Clients can expect us to present only the properties that, based on our experience and review, meet our sophisticated, discerning, and selective standards. We analyze and research each program, compare all the variables, and assist investors in making an informed decision on their replacement property.

Since 1995 we are confident that our level of understanding, review procedures, and property comparisons are unique in the industry.



Concorde will work with you, answering questions, doing analysis, and presenting “what if” scenarios to assure you are investing in the replacement real estate that best suits your needs and continues your pride and benefits of ownership.

We are an experienced and trusted source for answering your 1031 Questions and providing the most appropriate DST's available today.



Frequently Asked Questions

Do I have to exchange 100% of my proceeds or can I keep some?

There is great flexibility here. You can exchange 100% into one property or DST, you can split it up over multiple DSTs, you can use the DST alongside purchasing a property on your own, and you can exchange only a portion of your proceeds while paying taxes on the amount you keep. Using our accounting background, we can assist in calculating the various options available.

How many replacement properties can I identify?

There are a variety of methods for identification. The most common are to either list 3 potential replacement properties or list 200% of your proceeds spread over multiple properties. Concorde will work with you in determining the best method to use.

How long do I own the DST?

Most DST programs today have a maximum life of 10 years. Part of the professional management you are investing into includes the constant monitoring of the market and being mindful of the right time to sell. It is not unusual for a sponsor to initiate a sale anytime within that 10-year period. When that occurs, investors have plenty of notice. Investors then may have all the options they have today. They can complete another 1031 exchange, keep the proceeds and pay the tax, or execute a partial exchange.

Can I sell my interest?

Like any real estate this is not a liquid investment. It is meant to be long term similar to the property you are selling. That said, you do have the right to sell your DST beneficial interest before the property is sold by the Manager.

What can I expect from the Management Firms I invest with?

Investors can expect a monthly distribution based on their share of the income. In addition, as professional managers, the sponsors will provide regular updates as to the status and operations of the property in the form of written reports and conference calls.

What are my out of pocket costs?

The cost of the DST organization is built into the program. There is no out of pocket fee to the investor. The only out of pocket cost incurred by the investor is the cost of the QI. Concorde is paid by the Sponsor and never charges the investor an additional fee.

How Do I find a "QI"?

Concorde has long standing relationships with local and national QI firms. We can assist in referring you to the firm that may best fit your needs.

Does Concorde stay involved?

Concorde has been involved in 1031 Exchanges for over 20 years. We have facilitated hundreds of exchanges with all the major sponsors and remain in regular contact with the DST managers. Concorde stays with you during the entire period of your ownership, assisting with and monitoring all our client's activities and properties.

How do I report a DST on my tax return?

DST's are passive real estate investments. They are reported in the same manner as any rental property would be reported for an individual or entity. You will be provided detailed information from the Sponsor to be used when completing your tax return. Using our tax background, Concorde can assist you or your CPA in the reporting process.

Providing Professionally Managed Replacement Properties for Purposes of Completing a 1031 Exchange



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