Looking for 1031 Exchange Options for Farms and Ranches?

CONSIDER DSTs

Scan for a summary video on DSTs:

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Discipline Advisors can help you find

SOLUTIONS YOU MAY NOT KNOW EXIST

Discipline Advisors stands at the forefront of the industry, specializing in 1031 Exchanges to enhance your financial future and setting a benchmark in the Delaware Statutory Trust industry. Our reputation as trailblazers was built on a solid foundation of matching our clients with customized investment opportunities through their 1031 exchanges.

What is a 1031 Exchange?

A 1031 Exchange is a way for real estate owners to defer paying taxes when they sell Real Estate and exchange it for a "like-kind" property. It allows them to use *all the money* from the initial property sale to buy a new property(s) and **defer the payment of capital gains taxes on the property that was sold.**

At Discipline Advisors, we help our clients find the optimal investments for their 1031 Exchange that meet their investment goals and objectives.

In this process, Discipline Advisors doesn't offer tax advice, but we collaborate with your CPA, attorney and other trusted advisors, as well as our Broker/Dealer, DAI Securities, to explore and clarify your options. We can also suggest a 1031 exchange Qualified Intermediary (QI) to help make the exchange process smooth and straightforward.

HOW A 1031 EXCHANGE WORKS

To defer capital gains taxes, property exchangers must follow a specific timeline to take advantage of the benefits of a 1031 transaction and successfully close on "like-kind" real estate in no longer than 180 days.

PREPARATION

PRE-EXCHANGE CHECKLIST

- Select and engage Qualified Intermediary (QI)
- Ensure 1031 paperwork is in order.
- Begin replacement property search

DAY 0

PROPERTY SALE

Owner sells relinquished property and sales proceeds are sent directly to QI at closing.

DAY 45

IDENTIFY

Owner (Exchanger) has up to 45 days to identify replacement properties

DAY 180

CLOSING

Exchanger must close on replacement investment property(s) within 180 days.

COMPLETE

1031 COMPLETE

Successful receipt of new property or DST interest. Capital gains taxes are now deferred.

To begin a 1031 Exchange, you must first select and engage a Qualified Intermediary (QI) and ensure that all 1031 paperwork is in order. Once that is done, you can start searching for a replacement property. On Day 0, the property owner sells their relinquished property and notifies the QI before closing. By Day 45, the owner, now referred to as the Exchanger, must identify and submit their replacement property choices to their QI. By Day 180, the owner must close on the replacement investment property or property(s). Upon successful receipt of the new property(s) or DST interest(s), the 1031 Exchange is complete, and capital gains taxes are deferred.

WHAT HAPPENS IF MY EXCHANGE FALLS THROUGH?

A 1031 exchange can fall through for several reasons, such as failing to identify a suitable replacement property within the 45-day identification period, not closing on the new property within the 180-day exchange period, or facing unexpected financing issues. Additionally, in some markets, limited inventory, high competition, or exorbitant pricing can make your selected properties unavailable for your exchange. If your 1031 exchange falls through, you could be subject to significant capital gains taxes. To remedy this, consider transitioning into a Delaware Statutory Trust (DST) portfolio. DSTs offer a streamlined and efficient way to continue the exchange process and close quickly, helping you defer taxes and preserve your wealth. Working with Discipline Advisors can ensure a smooth transition and keep your investment strategy on track.

IMPORTANT POINTS

DEBT REPLACEMENT

By reinvesting the proceeds from the sale of farmland or real estate into similar properties, taxes can be deferred, optimizing financial outcomes. The new investment must carry equal or greater debt compared to the sold asset to fully leverage tax advantages.

QUALIFIED INTERMEDIARY

A QI is essential for a 1031 exchange. Discipline Advisors does not act as a QI but we refer our clients to experienced QIs to facilitate the 1031 process. Only funds reinvested through the QI are eligible for tax benefits, making their role critical in many cases.

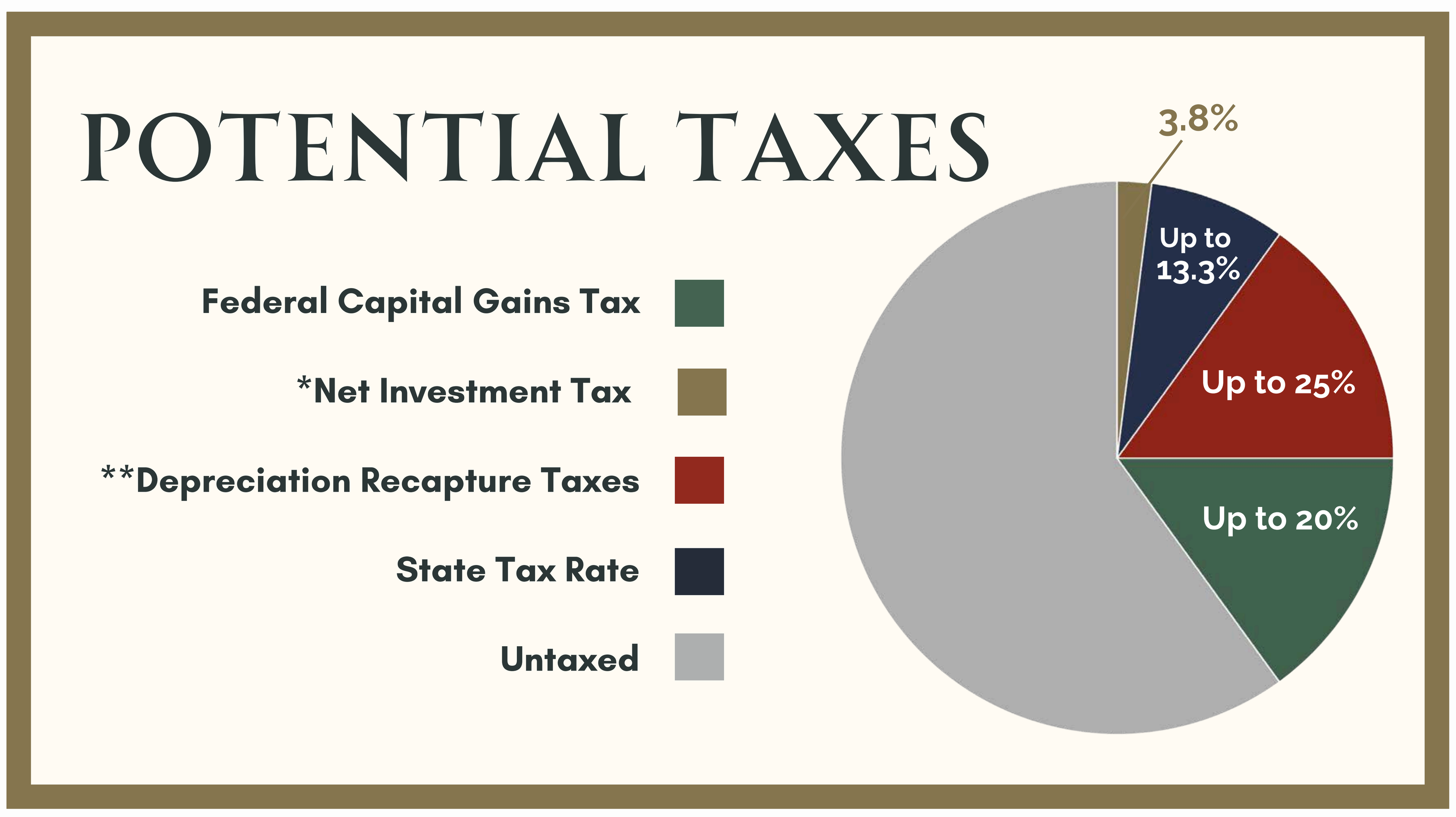
1031 DISADVANTAGES

Disadvantages of a 1031 exchange can include no access to principal investment capital. If you want to defer 100% of your gain, you'll have to roll over 100% of your investment capital. That includes your original basis as well as all of your realized gains.

REAL ESTATE TAX OBLIGATIONS CAN BE COSTLY

Through executing a 1031 exchange into a DST portfolio, owners can defer paying taxes on capital gains and other potential taxes due from the sale of their property. Without this strategy, these funds would have gone towards paying taxes. The tax savings from this approach could result in a substantial financial gain in the future if invested wisely. The taxes you pay if you decide not to exchange can be a tremendous loss to your legacy. However, if reinvested, they can be a great way to preserve your wealth. In this section, we will show you why.

"It's not what you make, it's what you keep."



* Applies to investment income exceeding $200,000 for single filers, $250,000 for those married filing jointly.
**Applies to the depreciation taken during the ownership period.
(For example only. You should consult your own tax, legal and accounting advisors before engaging in any transaction)

If you decide to "cash out and pay the taxes," you could be paying over 40% in taxes, depending on your state of residence and cost basis, as shown in this table. The Federal Capital Gains Tax, Affordable Healthcare Surcharge Tax, Depreciation Recapture Taxes, and State Tax Rates can quickly add up. However, if you choose a 1031 exchange and defer these taxes, using the Rule of 72, you can increase your future wealth for the benefit of your heirs.

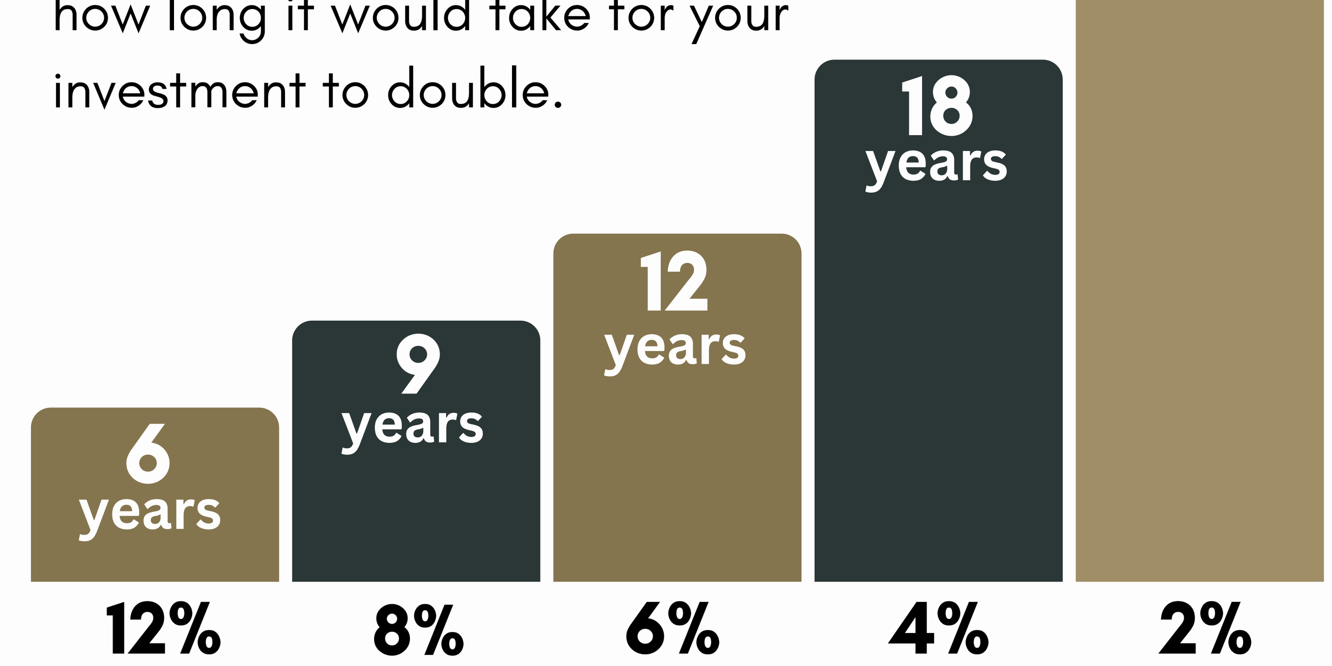
RULE OF 72

The Rule of 72 is a simple way to estimate how long an investment will take to double based on a projected annual growth rate. When dividing the projected annual rate of return into 72, investors can forecast the number of years it will take for their investment to double. When using a 1031 exchange to invest into DSTs, investors can defer capital gains taxes, allowing the entire proceeds to be invested. The deferred taxes can continue to grow and can potentially double, triple or quadruple in value based on one's life expectancy. At the time of death, the basis would be stepped-up to the fair market value on the date of death, which would eliminate the taxes. For example, if the DST investments average a growth rate of 6% a year, the deferred taxes would double in about 12 years (72/6), demonstrating the power of tax deferral and compound growth in maximizing investment returns.

HOW MANY YEARS WOULD IT TAKE TO DOUBLE YOUR MONEY FROM TAX SAVINGS?

UNDERSTANDING YOUR RATE OF RETURN

Using the average projected growth rates shown below, here's how long it would take for your investment to double.



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WHAT IS A DELAWARE STATUTORY TRUST?

A DST is a type of trust that holds title to real estate that qualifies as replacement property(s) in a 1031 tax deferred exchange transaction. Discipline Advisors is one of America's leaders in providing quality DST solutions for our clients.

REVENUE RULING 2004-86

If you are investing in a DST via a 1031 exchange, you'll benefit by having knowledge of this ruling

IRS Revenue Ruling 2004-86 went into effect on July 20, 2004 allowing property owners the option to 1031 exchange real property for an undivided fractional interest in a DST. All 1031 exchange and revenue ruling guidelines must be followed for the deferment of gains to be a success. The ruling meant that DSTs holding real property were fixed investment trusts. The ruling also classified DSTs as an investment trust rather than a business entity for federal income tax purposes. Below are some key points to consider with DSTs.

INVESTMENT MINIMUM

The typical minimum investment in any DST is $100,000.

CERTAINTY OF CLOSING

DSTs are already acquired, therefore reducing the risk of missing 1031 timeframes.

ACCREDITATION

Investor must meet net worth or minimum income requirements to purchase a DST*.

LIQUIDITY

DST Investments are illiquid like other real estate. A secondary market is not well established.

PROPERTY MODIFICATION

Only minor/non-structural modifications can be made to properties.

LOAN TERMS

Loans are non-recourse and cannot be replaced or refinanced, with limited exceptions.

*DST 1031 properties are only available to accredited investors (generally described as having a net worth of over $1 million exclusive of primary residence) and accredited entities only. If you are unsure if you are an accredited investor and/or an accredited entity please verify with your CPA and attorney. There are risks associated with investing in real estate and DST properties including, but not limited to, loss of entire investment principal, declining market values, tenant vacancies and illiquidity. These investments are not suitable for all investors. Tax laws are subject to change which may have a negative impact on a DST investment. This material is not to be interpreted as tax or legal advice. Investors are advised to speak with their own tax and legal advisors for advice or guidance regarding their particular situation. Diversification does not ensure a profit or guarantee against loss. Potential cash flows/returns/appreciations are not guaranteed and could be lower than anticipated. The information herein has been prepared for educational purposes only and does not constitute an offer to sell securitized real estate investments.

ADVANTAGES OF DSTs

Passive Management: DSTs eliminate the need for property management and maintenance responsibilities on the part of the investor. **01**

Monthly Cash Flow: DSTs are structured to provide for monthly pro rata cash flow to investors. **02**

Diversification: Investors can diversify by exchanging one property for multiple DSTs, which could be diversified into different asset classes, geographic locations, and managers. **03**

Estate Planning: The estate planning benefits of a DST include the seamless transfer of interest to heirs, avoiding the complexities tied to direct real estate ownership. **04**

Depreciation Benefits: Like other real estate investments, DST investors can utilize depreciation to potentially reduce overall tax liability. **05**

Non-Recourse Debt: In a DST, the debt is 100% non-recourse, meaning that when an investor takes on any debt in a DST, they are not personally liable for it. **06**

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Let's look at sample DST portfolio:

Farmland Exchanges

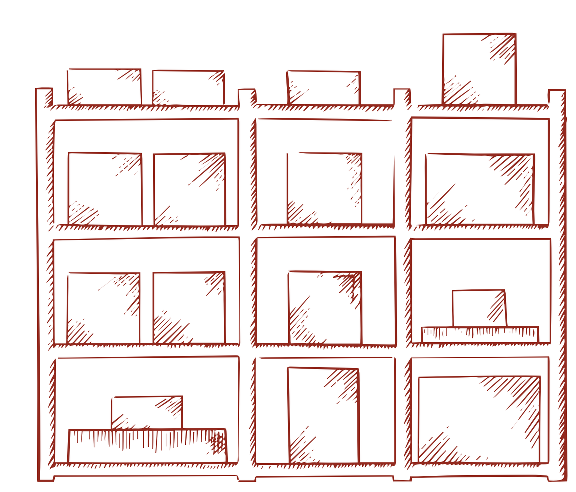
An investor sells their farmland for $1,000,000 and exchanges the proceeds into a diversified portfolio of like-kind real estate comprising of multiple Delaware Statutory Trust offerings (DSTs). The minimum investment for a DST is usually $100,000, which allows investors to diversify their investment among property types, geographic locations, and managers. The tax deferral benefits enable landowners to preserve their principal and generate income without having to manage the new properties. This arrangement allows for the potential to recieve consistent rental income for the duration of their ownership. Below is what this might look like:

Original Property
Equity: $1,000,000

Student Housing Property

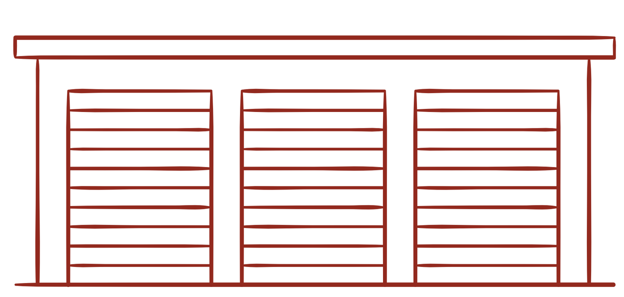
$200,000
Equity Investment

Industrial Property



$200,000
Equity Investment

Self Storage Property



$200,000
Equity Investment

Multi-Family Property

$200,000
Equity Investment

Senior Housing Property

$200,000
Equity Investment

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Why Choose Discipline Advisors?

STRENGTH COMES WITH DISCIPLINE

For almost four decades, Discipline Advisors has been unwavering in our commitment to utilize every available resource to help our clients achieve peace of mind related to their future and financial well-being. Founded on the principles of putting the client first and using a disciplined approach to due diligence, Discipline Advisors has grown to become one of the most well-respected firms in the industry utilizing DST and tax efficient investments to add value to their clients.

ADVANTAGES OF WORKING WITH DISCIPLINE ADVISORS:

We are **TRULY INDEPENDENT** advisors for our clients. This means we can choose what to focus on and not be encumbered by corporate goals and profit motives that may be misaligned with our clients' interests. As a result, we can provide our clients with unbiased advice, putting their needs before our own.

OUR NETWORK:

Working with our due dilligence team at DAI Securities, we perform thorough analysis and stringent screening of most DST sponsors. We work with a large network of DST sponsors around the country.

OUR EXPERTISE:

Discipline Advisors is the industry leader in sourcing quality DSTs, aligning with our clients' unique property and income requirements. Our reputation, built over decades as pioneering experts, underscores our position at the forefront of the industry, consistently delivering customized investment solutions.

OUR COORDINATION:

We coordinate with the qualified intermediary (QI), title company and our client to satisfy IRS requirements and make the exchange closing process as efficient as possible.

HOLISTIC WEALTH PLANNING

We listen to our clients and learn about what is important to them—their lifestyle, family, and ideals—so we can build a long-term plan that meets their unique and changing needs.

INVESTMENT MANAGEMENT SERVICES

We offer personalized, integrated investment strategies and management to individuals and families of significant wealth.

TRUST & ESTATE PLANNING

We strive to help our clients transfer not only their wealth to the next generation but also holistically consider their values in assisting them with their family's financial strategy and needs.

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Discipline Advisors
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