

THE DEFERRED SALES TRUST

Jul, 2010

Have you ever known someone who was reluctant to sell property or business assets because of the capital gain taxes that would be owed upon the sale's conclusion? Perhaps you yourself have been in that position. Clearly, a Section 1031 exchange can provide a means for many to defer those taxes by investing in like-kind property. But what if the individual no longer wants to own like-kind assets or property? Is there another way to deal with these soon-to-be even more onerous taxes when assets are sold? The answer may be the Deferred Sales Trust.

Not only could this tax deferral tool save thousands of dollars, but the client also has the chance to earn profit on the money that would have been paid to the IRS. The process starts in the same manner as any sale--find a buyer! The client sells the property/asset to a trust that is owned by a third party company. The trust then makes the actual sale to the buyer that you located previously. After that, the trust pays you on a schedule that you design. The alternatives for how and when you receive payments are extremely flexible. You pay taxes on only the capital gain received in a particular year, so the tax can be deferred out many years.



Another aspect of a DST is the ability to borrow against the assets of the trust while the total amount continues to generate income. Imagine this scenario--you place \$500,000 into a DST that earns a nice return. You borrow \$300,000 against the assets of the trust and purchase an income-producing asset such as a farm or a multi-family rental property. Using the income from the property, you pay back the loan to the trust. Eventually you wind up with the assets of the trust PLUS the income property free and clear!

When compared to a direct sale that is taxed, the Deferred Sales Trust can potentially generate more money over the long run. If you would like more information or would like to run an illustration based on your own or your client's circumstances, please visit our DST website at www.MyDSTPlan/iee.

The information above should not be considered tax or legal advice. You are strongly advised to consult with your trusted legal and/or tax advisor before entering into a Deferred Sales Trust.

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The professionals at Iowa Equity Exchange understand the complex rules of Section 1031 exchanges. We can help simplify this information for you and your clients. Section 1031 exchanges are our only business. We are members of the Federation of Exchange Accommodators, the only national association that is dedicated to the protection of the consumer in 1031 transactions. Less than 2% of all qualified intermediary service providers nationwide are members of this organization. We can creatively and strategically assist you and your clients with the sale or purchase of assets in order to maximize the tax deferral opportunities. Please contact us at your convenience.



Note: Per 1031 regulations, Iowa Equity Exchange cannot give tax and/or legal advice. Every taxpayer should review specific transactions and potential tax consequences with his or her personal tax and/or legal advisor.