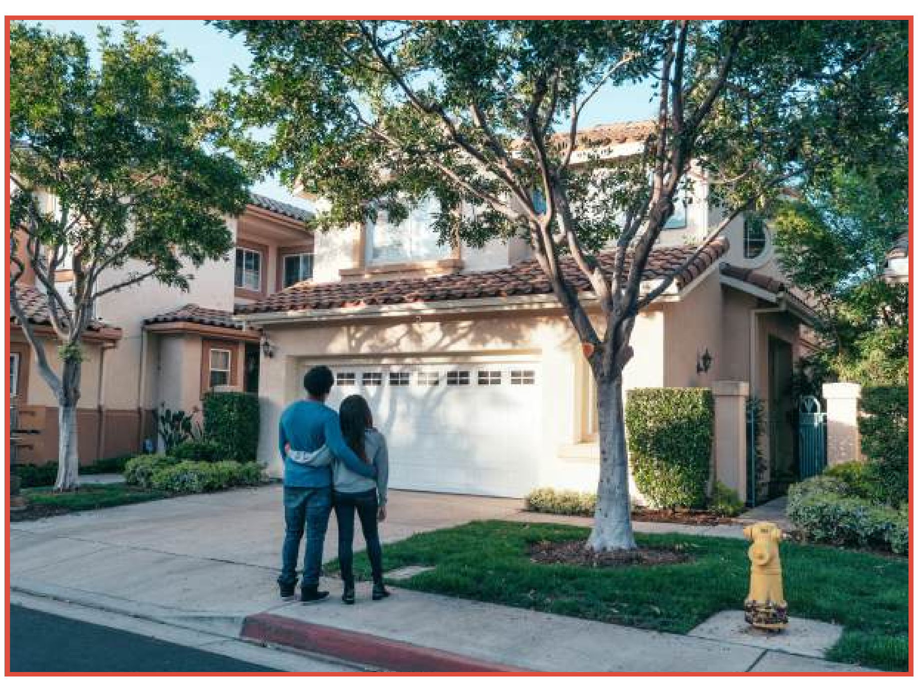
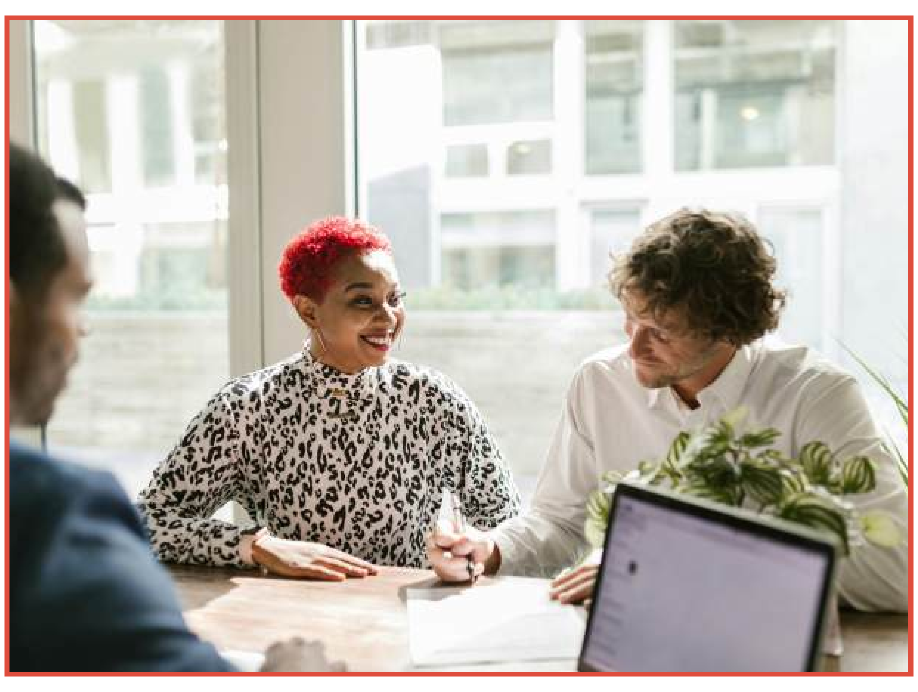
6 Insights into DST and Multifamily Investments

1. Capital Gains Erode Your Investment Power

Let's say you're selling a 30-unit apartment complex that's valued at $4 million. After years of value-add improvements and rising rents, your equity has grown by $2 million, but so has your potential tax liability. Between federal capital gains tax, depreciation recapture, and possibly state taxes, you could easily owe 25% to 35% of that gain to the IRS.





2. What Makes a DST Different?

A DST is built around the IRS's installment sale rules and offers some advantageous flexibility. Instead of receiving the proceeds from your sale directly, you sell the property to a DST, a third-party trust created specifically for your transaction. The DST then sells the asset to the end buyer and holds the proceeds on your behalf.

3. Reinvesting in Multifamily Without the 1031 Limitations

With a 1031 exchange, you're financially liable from the moment your sale closes. A DST frees you of this pressure. The trust can hold your sale proceeds while you research markets or wait for distressed assets to surface. You can even partner on multifamily deals where you wouldn't otherwise meet 1031 requirements, like joint ventures, fund investments, or deals involving different property classes.

4. Cash Flow and Income Control

Another advantage of using a DST is the control you have over income. With a 1031 exchange, your entire equity must move into another property to avoid tax, and your cash flow is fully tied to the new property's performance. But with a DST, you can structure distributions to fit your lifestyle or reinvestment schedule.

5. Wealth Preservation and Estate Planning

Multifamily real estate is a fantastic wealth-building asset. But you must protect that wealth and pass it on strategically. In such cases, DSTs are an invaluable estate planning tool. You can incorporate the DST into your living trust, will, or family limited partnership, allowing future generations to benefit from tax-deferred income and growth.

6. It's Time to Defer Capital Gains Tax on Your Real Estate

Multifamily real estate continues to be one of the most powerful vehicles for long-term wealth generation. But to stay competitive and profitable, you need tools that work smarter. A DST gives you the power to sell appreciated assets, defer taxes, and reinvest in new multifamily opportunities with better clarity and control.

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