148 TRG Transcript

Mike Stohler

What if you could be doing something smarter with your money that creates income. Now, if you're wanting to get ahead financially, and enjoy greater freedom of choice, if you want a comfortable retirement, and you know you'll have more choices, if you can do more with your money. Now, if you've wondered who else is creating ways to make their money work for them, and you want actionable ideas, with honest pros and cons, and no fluff. Welcome to the Richard geek podcast. Where you here helping people find creative ways to build wealth and financial freedom. I'm Mike Stohler, and in this podcast, you'll hear from others who are already doing these things, and learn how you can too.

Alright, everybody, how's it going? Welcome back to another episode of the Richard geek podcast today we have Brett Schwartz, he's considered one of the most well rounded capital gains tax deferral experts and informative speakers in the US. He's founder of capital gains tax solutions. It's exclusive, deferred sales trust trustee, host of the capital gains tax solutions podcast and experienced commercial multifamily broker in California and St. Augustine, Florida. How's it going, Brett?

Brett Swarts

Hey, Mike. It's great to hear it's going really well. And it's great to be on the show. Thanks. Thanks for having me.

Mike Stohler

Absolutely. So we're going to talk a little bit about your experience and specifically some deferred sales trust Delaware statutory trusts 1030 ones, the differences, what they can do for you, and some of the benefits. So how did you get involved in this?

Brett Swarts

You know, I started out at a young age, learning about real estate and helping my clients or helping my parents at that point build houses in the Bay Area. Silicon Valley is a coffee these days where MC Hammer pants and you know, bobcats and hammering nails. And so I fell in love with real estate a young age, and then went on to go to college. My brother and I were the first to graduate college from both sides of our family. My dad said, mama said you're not going to be working, you know, building houses, we'd like you to do something more insisted, okay, cool can we do and he said, well go to college. And so as a part of that we studied and practiced at a multifamily brokerage called Marcus and Millichap. And that's where we learned about multifamily investments and tend to be on exchanges. We also learned about the tough things tend to be ones when the market crash and oh eight. So we saw friends, family and clients lose half or everything in the crash. And we thought, wow, there's got to be a better way. And this point, I'm in Sacramento, you know, helping people with multifamily brokerage. So, as a part of that journey, you know, I found myself also in a place with my wife and I a new baby. And the first time my life, you know, not having any money really, I mean, just kind of going and kind of like not doing any deals and things were really slowing down. So every good entrepreneur real estate want to be does you get a side hustle, my side hustle was a place called Cheesecake Factory. And so I had my nights and nights and weekends, I'd work at Cheesecake Factory by day and negotiate with banks, and not my clients, you know, reposition their properties or, you know, figure out ways to get tenants to pay and, and, you know, really help them reassess their taxes with their tax assessor and stuff, all this stuff and, and during this time as well, and I was going through this financial pain, and they're going through their financial pain, to basically resolve to figure out a way to solve this, that never happens again. And that's when we learned about the deferred sales trust where I learned about it. And that was in 2009. And like most people hearing about this thing for the first time, they you know, we thought we would we were the Navy SEALs, we would have known about it, we didn't know about it. And fast forward now I just coach and train and teach people, they will retire from the Cheesecake Factory wife and I have five kids. We just moved in California to St. Augustine, Florida. And we just really helped clients across the country exit in a way and to first the tax and help them deal out freedom.

Mike Stohler

So let's back up a little bit. Some of our listeners may have kind of heard about 1031. What? Let's have you talk a little bit about what that deferred tax does. When does it help? When does it come and play? Just to kind of give a background of the beginnings of what we're getting? We're going to be talking about?

Brett Swarts

Yeah, so I think the first thing is defining the problem, um, that we all have, right, the government has a spending problem, which means you mean Mike and the listeners have a tax problem. And that tax problem, especially on exits of assets that are highly appreciated, is somewhere between 25% minimum of the game up to you know, 5060 70% depending if you have a C Corp. So just give you a couple of deals that we've done recently, we helped a client who exited a $13 million carwash in San Diego, and as a part of that sale, they had about a 40% tax on the gain. Their gain was 13 minus 4,000,004. million being their bases. So they had, you know, millions of dollars of tax. And so enter, you know, what are their options? Well, they can, you know, sell and just pay the tax, or they can defer the tax using a strategy like a 1031 exchange or a deferred sales trust, by the way not to be confused with the Delaware, or 1031, which people get confused with all the time Delaware statutory trust. And essentially, when they defer this tax, they can build more wealth with the, with the asset, they can probably increase their cash flow, they can diversify their wealth, they don't have to do like kind replacement requirements, but essentially just have more money to build more wealth with. And the government likes it because guess what they're incentivizing us as sellers to sell and reinvest the proceeds. So long as it goes into business or investments, it actually spurs economic growth. And so they're actually the biggest winners their new property tax for the California asset. And there's new money moving and creating more and more jobs, ideally, which then creates more tax revenue. And so it's a good way for everyone to, to keep keep the economy. That's why the 1031 is a really good thing. The deferred sales trust, we like to say it's like Netflix versus the 1031 blockbuster, once you understand what it can do, and how it can help people with their with their freedoms that they desire.

Mike Stohler

Okay, so let's walk through a scenario. I saw one of my hotels are getting ready to sell it, I should say, because now I'm at the beginning process, it could take four or five months, as larger multi families do. Hotels, bigger businesses, because there's a lot of due diligence. At what point do I put it into the deferred truss? Or is it already in it? Or do I do this when I'm getting ready to sell it?

Brett Swarts

Yeah, what's the timing of all this? And how does it all get set up? First thing is we work on a conditional basis. So Mike, we want you to set it up and get it prepared, all ready to go prior to closing. But if you don't want to use the trust, you don't have to you don't owe us anything. So that's the first thing understand what he all the pressure off. But it's important that we do actually establish the trust sometime during escrow unless you're doing a 1031. And then we can save a failing 1031 without having to work to identify a property. But I'd say step one might be would just sit down with you and assess, hey, what's your adjusted basis? What's your debt, and what's your current, you know, estimated sales price. And then what's the timing of the sale once we have those those kind of those four fact patterns, then we can start to build out an exit plan for you. And by the way, sometimes it involves a partial 1031 Exchange, we saw the seller in Texas sell his you know, his ranch. And then he did a partial 1031 is an Oklahoma property and then a South Carolina property, and then they do the rest of it into the deferred sales trust. And so clarifying what you're trying to do where you're trying to go, will determine the exact timing. But if you're selling anything other than investment, real estate, you need to have it before the close of escrow, you did have the trust in place before the buyer removes all contingencies. So we simply form a trust and could take a couple days to do that. We insert the the language into the contract and gives you the option to do to exercise this. And depending if you have an LLC, S corp, C Corp, depending if you have partners, each partner might have their own trust setup. In fact, the deal we didn't San Diego it was a four partner deal where three of the partners had their own DST and then one of them just pay their tax. So we can Can we can we can sever the partnership. As you quickly configure out or if you're listening, it's it's not like setting up like a living trust one time and just set it and forget it. And it's simple, it's actually more a bit more complex, because it is a trust that you are selling the asset to and you're getting a promissory note back. In other words, you're doing an installment sale with a trust, rather than doing an installment sale with the buyer, which, which is important to understand because a a shows you the legality of this, that it works in this structure that's behind the tax code. But be it gives you the flexibility that we as entrepreneurs that are buying hotels or building hotels or investing in properties or businesses want and that's that's where the deferred sales trust can really shines.

Mike Stohler

Now, how does it work if the property is already in the trust? Well, it's an LLC, that LLC is a holding company that only companies owned by maybe an FLP family limited partnership or something like that, that is then owned by like a bridge trust. You know, these people have, you know, talk to the attorneys and attorneys to set them up all clear up down the path. How does that work? How does that fit into people that already have partnerships or trusting? Yeah,

Brett Swarts

good question. And I get another way to ask it too is there's anything that deferred sells just doesn't work for any entity or any any any any assets? First of all, the Trust works for any asset of any kind. It can be public or private stock. It could be cryptocurrency, it could be a business sale, it can be S corp, C Corp LLC. It can be a partnership deal. Of course, it can be commercial real estate, it can be a primary home, the 1031 only works for investment property. So we work for all assets of all kinds. Now and for your particular question, what you're referring to as well, whatever it has, like a living trust, or something else, that's fine. You know, the actual asset itself is probably in an LLC, like you said. And essentially, what we can do is we can assign the interest of the LLC to the deferred sales trust, in exchange for you're getting a promissory note now that promissory note can be is the asset that you now own, and that can be put inside of you like your living trust, right to pass to your kids. And these trusts can go on for as long as you want. And they can pass on to your kids and your kids can pass them on to their kids and go on for you know, a long time. So we do have in 10 year increments, and typically a balloon payment due at 10 years, their trust are typically six to 9%, return net of recurring fees, depending on your risk tolerance. And but every 10 years, you can renew for 10 years. And then it's also a great way to do so estate planning and some asset protection, that seamless and passes to kids in a very, you know, you know, non, let's say, having the kids having to fight over the assets when mom and dad die, which is, which is a big thing. You know, parents want peace in the family, they don't want to have the kids having to squabble over that. And so with the deferred sales trust, you can exit also multiple assets, you can have, you know, $5 million business asset and a $5 million commercial real estate and a $5 million primary home, you have three promissory notes in that scenario, one trust, and each promissory note is set to pay you back over time. It's kind of like an IRA. It's kind of like a 401k. In that regard, as well. You're basically deferring or delaying the tax delaying the income delaying the capital gains tax, and you're receiving payments over time, you'll pay taxes you receive payments, most of our clients make will just live off the interest payments. You know, the note might be written for 8%, they might live off four or five and keep a little cushion between the principle call that the golden goose and the in the golden eggs or the interest that it's earning. But in this scenario, let's say it was a $3 million asset sale. Well, there's an extra million working for you. And you go out, well, that's a heck of a deal. Yeah, the government essentially, depending on the size of the deal, it doesn't charge you any interest on that million that you owe them in tax, as long as it's a it's an a deferral state like an IRA or 401 K or like a 10 to ruin or like a deferred sales trust. And that's the beauty of the full amount of 3 million working for you. And you'll live off the interest, you'll get a 1099 for that, if you dip into the 3 million, you know, a principle you'll pay some cap gains tax. But most of our entrepreneurial business clients are reinvesting the funds back into their own their own deals, their own development, hotel deals, their own Airbnb, their own new tech companies, we had a client who exited 5 million a Bitcoin that she had bought for 50,000 went to 50 million for her, she wants to do a tech startup company. So for the 5 million went to the startup capital for for an online education, kind of like a Khan Academy to be a blessing and help people with education across the across the world. And so that was her dream rather than just, you know, working for the big, big tech company. And so each each of our clients have their unique impact. They want to make their unique freedom. So they want to unlock. And we're here just to kind of guide that really tax efficient way.

Mike Stohler

So let me get this straight with. I make $10 million off a sale a hotel? And would it be then better? I have a couple of different scenarios. If I still want to buy another one. Get something bigger, maybe attempt 31?

Or could I still do the deferred sales trust and keep it in there. Now I don't have my

the pressure to find something. Because let's say something's not on the market. inflation's items like man, I don't want to buy it because I don't want to pay the interest rates or things like that. I put it in the deferred sales trust. And then maybe a year right then maybe a year later, I'm like, what, okay, cool heads are in Washington. No, I want to go buy something and then I can then switch

Brett Swarts

in the other mic. And that's the single reason I started the company. Okay. And I call it optimal timing. You know, Mike, our parents taught us to sell high and buy low, not sell high and overpay in a 1031 marketplace where sellers aren't necessarily adjusting their prices. And interest rates have jumped at 100% Basically in the past year, that parades what we call the to Dallas part of the 2008 crash for those who lost in commercial real estate because they had too much debt, not enough liquidity and they overpaid, overpaid for in Oh 405 And oh six and they kept 1030 wanting and then the music stopped and they got hurt now do we think that oh, it's happening again for commercial real estate? Well, if you're in the office sector, maybe worse. Right. You know, do we think other assets are going to fear you know, pretty good. Well, if you have some rate caps that are expiring ringer, you know, your debt is you're over leveraged, then you will be in trouble too. So, so So first I want to define what your challenges Mike and what you're trying to do, and then we're gonna be strategic about it, we're gonna look at not only your cash flow situation or look at your tax flow situation, including your depreciation schedules, one of the advantages of the deferred sales trust because a brand new depreciation schedule. So even if you want to do that 1031 on a $10 million exit, if you have a zero depreciation schedule, you do a 1031. Guess what your old depreciation schedule travels, we call that blockbuster Exit Planning, right? Well, what about Netflix? What's Netflix? Well, this is a deferred sales trust, we can buy that same asset, we're going to ask you, Mike to slow down a little bit, we're gonna set up the trust, we're gonna x into the trust, and the trust is going to partner with you to buy that same asset, it might take an extra month to get everything in order, right? Or a couple of weeks, whatever. But now you have a new depreciation schedule, and that same asset you bought, now, the way we structure you're gonna get about 80% of that fresh depreciation schedule, because we got to keep some some guidelines, some some guardrails here. But but better than that, we might ask Mike to sit in T bills for four to 5% for a year, because guess what, Mike, we think, market the marketplace, there's been a lot of people swimming, like, like Warren Buffett says, and they've been skinny dipping, right? We're gonna see when the tide comes back out. And you're gonna buy deals, instead of buying a $50 million asset. Maybe you buy it for 12, because you waited 12 months, right? And the trust can partner with you at optimal timing and buy that asset, all tax deferred, not using a 1031. At this point, I'm at Marcus and Millichap and my brain explodes. And I'm going What are you talking about? Like the we would have all known this, we thought we were the Navy Seals of investment, real estate 1030 ones and tax deferral and Commercial Real Estate Wealth. But we learned something new, right. And that began the journey. And I hope people are getting this getting this point that just because you know your CPA hasn't heard about it or commercial brokers not telling you about it, by the way, ask about it. Right. They may or may not know about it, they get it confused with the Delaware statutory trust. This is the battle we're in at some point people didn't know about the 1031 25 years ago. And now they know it. Just quickly on the on the track record. There's been 1000s and 1000s and 1000s and 1000s of closes with a deferred sales trust close to 30 years. There's also been some audits which is important. We want to make sure whatever structure you're working with that has been audited. Okay, state and federal. Most of most of the state ones we've been in California, by the way. Now, these are all no change audits, no findings. So it's batting 1000. So far, there's also lifetime audit defense provided with the DST. But more than that there has been you know, tech entrepreneurs you know, cryptocurrency, commercial real estate, business owners, optometrists, veterinarians, car dealerships, you name it, it's been sold and used with the deferred sales trust. And, but yet people don't know about it. And part of it is some nonsense everyone companies don't want you to know about it. Sometimes it's just it's it's proprietary, it's protected, we protect the strategy. But sometimes it just takes the need been strong enough to get out of the old dog nude, you know, old dog just doing the 1030 ones. If I loved him, they're the ones. And if you were to find a deal that made sense for you to tell everyone like I'd tell you, it's going to be cheaper. Right? If you already know it, you're gonna maintain 100%, unilateral complete control, right? You're gonna maintain the stepped up basis? Like I'm gonna keep on I tell you to do all those things, right, if that all fits. But if you're saying read the deal doesn't necessarily make sense. I don't mind giving up some control, because you got to give up some control of the DST. But I also want to get optimal timing, and I want some freedoms that the DST can provide for me. Wow, you know, then let's let's work together. So those that's over? That's a good overview, Mike.

Mike Stohler

Yeah, well, it's wonderful. It's what kind of because I've given up some of the trust, some some part of the control, what are one thing that pops in my mind is what kind of recourse you know, if the trustee happens to go to the Caribbean? Or just or fold or, you know, any of those types of things? Are there any protections for me as the exchange?

Brett Swarts

Yeah, good question. And by the way, for those who don't know, our he mentioned that in the in the beginning a capital gains tax Solutions is a trustee for the deferred sales trust right. So so we will work as that trustee so first is like, how can you can trust the trustee isn't gonna take all the money to the Caribbean's right and live off all my millions. Number one, we have a lot of controls and protections in place. By the way, if you've done 1031 exchanges, you work with third party Qi companies, right, or escrow companies, groups that you know, hold the cash and have controls and protections in place. So same thing here, we actually work with some of the largest banks in the world. So TD Ameritrade, Charles Schwab, we work a lot with Raymond James, and we work with third party financial advisors, right, so not only is it a third party trustee, is a third party financial advisor that are on this DST team to help keep the control and the protections in place for how the funds are invested, and how they're managed. But a lot of our clients that are entrepreneur perhaps like you, Mike, they're actually doing a joint venture partnership with the trust, where they're opening in the big accounts right in there. Running the deals and they're filing the tax return and try for the LLC. And the majority of the capitals, they're running and we're calling them and saying, Hey, making sure that it's invested in for businesses. And it's, it's, you know, it's it's not you know, on their primary home or their second vacation home or their cars, it's legitimately in investments. And so it's all of us as a team. That being said, these trusts are single entity trust the only new business Welcome, Mike, if you are married, you know, you do with you and your wife, right. They never commingled in personal or other business accounts, they have their own separate ein its own separate tax return that's filed with a third party tax preparer. And so we like to say it's the most vetted, least known tax strategy that's out there. And I would argue there's actually more protection because there's more eyes and ears, they're looking and seeing this trust from the tax attorney who sets it up from the third party tax preparer from the third party banks, third party, financial adviser, third party trustees, all of us together are working to make this thing work. Right. Nothing was just your approval, your signature, you also have 24/7 access to view the funds. And yeah, that's that's how this works. Hopefully, that brings you some some ease, Mike. And by the way, if I get hit by the bus, and other trustee, right, you know, the tax attorneys would have approved can step in. That's how that would work.

Mike Stohler

Yeah, that's fascinating how all of a sudden, you have a stinking dislike, because I know the 1030 ones, you have the trustee, I can't touch it, you know, the whole thing that I never considered them as, like a partner. They're just kind of like, a holding account. But you guys are saying that as trustees, you can actually work with us and partner with us, kind of take some of the burden off of us, and help us along the way.

Brett Swarts

Yeah, I think you hit it on the head right there, right? The, the commodity is a 1031, right, they're gonna get their 1500 bucks, whatever, right? And you're gonna be there for 45 to 180, they'll get their interest on the money. And they're just there to just to be there's 5000 QI companies. And I don't mean to say that in a bad way. I love the QI companies. But there's a lot of people that know how to do that. And it's just tried and true, beautiful write us. It's really like a partnership or like a family office type of environment where we're bringing in the best of the best commercial estate operators, syndicators, right, and developers, brokers. And in financial advisors and CPAs. We just came up with a with a book with Kevin Harrington from Shark Tank, have you ever seen that show? And, and, and then we partnered and connect with, with amazing operators that are in hotels like you, Mike and different things. And so it's all of us working together, just using the strategy to unlock it. And you're right, we have a vested interest. The higher the Aum, the more we get paid, because we get recurring fees on the Aum. That's how our model here how we get paid. And we want them to succeed, and also want to keep our clients really happy. We're a friendly trustee. We want to give you as much opportunity to build wealth with it, so that you send your friends and you can you stay, you stay in it for a very long time.

Mike Stohler

Do you think that that is a way? For someone that is, you know, for all of you that are out there that are thinking about selling an asset? When I decide to get back into the game, is this a benefit for me to find higher net worth investors? Because I'm we're not working with you?

Brett Swarts

Yeah, great question. So if you're a commercial broker, or financial advisor, if you're a luxury realtor, if you're a commercial estate, syndicator, or someone who's raising capital, really, even myself as a trustee, I'm also a multifamily broker and investor. We're actually not in the business, Mike of anything that we've been talking about for the last 20 minutes. We're actually all in the same business. And it's the business of solving problems. And to the extent that we can solve problems and give people a clear vision to help them get the freedoms that they desire. We all when we get paid for that we get paid for bringing value to the marketplace in this scenario, I happen to bring a unique skill set tax deferral and building wealth and working well with others to the marketplace, and people raise their hand and say I have a problem. Can you help solve that? And so what's the challenge for the luxury realtor out there? All, they can't sell the house that's worth 25 million because Mr. And Mrs. Smith owe about 7 million of tax and they'd rather just, you know, instead of paying 7 million tax, they might just hold on to the property in the next 20 years dying gives you the kids with a stepped up basis or insured the deferred sales trust, they can sell that asset, defer that tax and guess what create a cash flow because some of our clients are real estate rich and maybe cash flow light. Right. We had a client who sold a primary home in Palo Alto for $8 million and moved to Nevada and establish residency there moved to close to family. He couldn't have sold him the deferred sales trust it would have just tax in the deal would have fell apart because he had no money left but we get to defer the tax he gets to live off of it. We have other clients that you know we had a client who sold a dental practice In New Jersey, it's a $2 million dental practice, they're about to pay about 45% of tax. And he's like, Brett, this is my entire retirement. I, you know, I've worked for 35 years, you're giving me back time, money in my pocket every single month, like this is this is such a blessing to our family. And I can pass it on to my kids. And so, so the big, big picture is, is like, what freedoms are they really want? And so back to your original question, when you can solve that problem, or presented an idea that solves the problem, guess what, not only do they have extra capital to invest with you, right, they're more likely to invest with you. Because you didn't just talk about cash flow, you talked about tax flow, you solve their major pain point. And you brought back capital and freedom to their family by just making an introduction, an idea, right? To us, or, you know, or other people might have other ideas to bring it to them. Like tax flow is such a key thing that most people aren't talking about. They're always talking about cash flow. But once you bring the two together, it's, it's it. That's where we see the transformation happens.

Mike Stohler

And one of the things that I really like about is if I sell something, let's say the $10 million dollars, and I don't want to deploy all that. Just the fact that Well, I can give you half, deploy half, but now I have this almost like an annuity or this this, this cash flow that I don't have. Well, this is not the question at some point, do I have to start withdrawing it? Or can I just sit there until I need it, but I just now know that when I want that cash flow and bump up my lifestyle, it's there. But half of it is half of it's in a new asset, asset. Half of it now I'm doing like this annuity type thing for some cashflow.

Brett Swarts

Yeah, let's first talk about diversification. Let's talk about the payments and kind of the some of the guardrails on that, okay. So the neat part about the deferred sales trust is that assets can be invested into any asset of any kind. So it can be put back into a business, it can be put back into hard money lending could be hotel development, it could be you know, existing multifamily, could be fixing flip houses, it could be stocks, bonds, mutual funds, it could be T bills, right? It can sit in the bank for a while, like there's not there's not like a timing restriction as it or like kind replacement requirement. In other words, you can diversify keep liquidity right putting the biggest companies in the world, the Home Depot's the Walmart, the Googles, the Apples, I'm not a big stock market guy, Mike, but some of my clients are right. Now I do like some diversification, right? There's time and place for all of that. And we bring in the financial planner to help you plan all that. The point is, each client has their own preference. And we're typically do some kind of diverse diversification. And let's just keep keep it simple, let's say 50%. We're gonna go into real estate, Mike 50% into the s&p 500. Great, you're right, that s&p 500 is producing each 2% over every 10 year term, right? Let's play it's pretty much just bread and butter, and it's paying you out and the other, you know, 5 million you're swinging for the fences, right, you're looking for, you know, 10 20% type of returns, and you're doing that with partners are doing it by yourself. Fantastic, you know, we can structure in that way. Some clients never want to see real estate ever again, some clients never want to put in the stock market. So we're just basically customizing the plan. Now, we don't want to over concentrate. And we don't want to, you know, we don't want to we want to make sure that some liquidity, right enough liquidity, typically at least 20%, to make sure that we can make the payments to the you know, to you, as the note holder, and you know, pay for the tax returns pay for the trustee fees and such. Now to answer your second question, as far as the payment itself, there's no like required minimum distribution that you'd see with Iris, you know, but there is guidelines that the tax attorneys laid out to us over the years, that typically like to see some payment out within the first 24 to 36 months kind of that general frame, some payment doesn't have to be the full interest payment. So let's just say it's, you know, 5 million in the trust, and you'd like to see, you know, four to 5% payout starting in about year two or so, if it was an 8% promissory note. So you don't take the full interest payments during this first two years. And this is a unique thing. You know, clients, we have a client that is looking to exit they're out of New York and they're looking to move to Florida. Well, guess what they sell the asset New York, they defer all the taxation of the trust established residency in Florida. And then they start payments a couple years later, well guess where their income tax is based upon Florida. Now, the cap gains tax is still the nexus in New York, right? So they still they dip into principle, but guess what, a lot of our clients aren't planning on dipping into principal anytime soon, they'll just live off the interest payments. So that's the general rule of thumb there that we'd like to see because it's not tax avoidance is just tax deferral. We wouldn't want to create a scenario where we're just pushing it out and never paying tax. Now on the trust level, people have questioned they go well, what about the trust the trust paying all this tax? Well, not necessarily most of the time, not First of all, we establish our trust in Nevada for a number of reasons, but especially for tax reasons. But number two, the trust is able to expense on the trust tax return what it owes, even though it hasn't paid it out to Mike. So let's say it's a $10 million promissory note, Mike sells a $10 million hotel. It owes me 100,000 a year. Mike's like, I don't need need or want any money for two years, Great. Mike was led into crew and it's just earning and building up on the trust tax return. It's able to expense that $100,000 Because it's it's, it's it's on the accrual methods the way it's like a corporate tax return, even who hasn't paid it out. It's a debt owed, right, that's accruing. And so typically, the truss operates at a loss or a zero, if you will. So no trust taxes, that's pretty elegant, pretty efficient. Mike, on the other hand, is super happy because he's tax deferred income tax capital gains tax, and he's hanging out. I mean, if you're a tech entrepreneur, this is great. Because not only can you sell your business, but then you can be, you can still work for that business. And a lot of them do is kind of earn out, right. And two or three years later, now they're fully out of the business. That's when they turn the trussing Come on. In the meantime, they still got their salary from the business they just sold with a new new company. And so these are all the little intricacies that we help structure plan. And like you said, kind of in the beginning, Mike really partner with people to grow their wealth.

Mike Stohler

It's fantastic. And it also sounds like, you know, I've done some 1030 ones, and I wanted to become a limited partner in something. There are some rules against, maybe it's like, no, you have to be a general partner, you have to be part of the ownership side. You can't just throw yourself into a limited side. It looks like with this trust that I don't have to be the principal

Brett Swarts

100% Let me tell you about a couple of deals. So we worked out with David and Jordan. And David is an attorney and a multifamily syndicator, they have about 3000 units. In David in Jordan, every time they would exit, we started with a $20 million asset in Las Vegas. They were their GPS, we pay back their LPs, and they pay all their tax on their GP interest. And they would never they never tend to anyone for a number of reasons. But he just kept paying the tax till they call us and like wait, Brett, so we can just move our GP interest in? Yes. Can our LPS move into if they wanted to? Yeah, they can have their own trust, if it's big enough. Well, they got they've gone on to do five exits with us. One with the last one was a $48 million deal in Vegas, they did a $60 million in Phoenix, and a couple others. And the point was not only do they defer the tax on their GP interest, but then they partnered with the trust to go into more GP interest on their next deal. All tax deferred without having to do some kind of 1031 gymnastics to carve it in there with a tenant in common all this whole new structure. Plus they have a new depreciation scheduled. So like it didn't really make sense when the new 1031 Anyways. And so once you get that you're like, wow, I'll never go back to Blockbuster. I'll just do Netflix. And yeah, that's, that's exactly right. Like it's really beneficial for you.

Mike Stohler

It's fantastic. And let me know, I appreciate you coming on and enlightening us about this. I mean, this guy, I'm now thinking completely different, you know, from my exit strategies.

Brett Swarts

Okay, give me one more to because at this point, yes. Like, it's, well, there's got to be too good to be true, right? Like I would have known about it. And let me just give you one story to help you maybe get some confidence in this, okay, because it's one thing for me to say. And I'm just a commercial broker, multifamily broker who fell in love with the 1031, who saw the damage that they can do, and then fell in love with the deferred sales trust to see all the freedom they can provide. I'm not a tax attorney or CPA, although I have studied and practice with the CPA Tax Attorney who created it for 10,000 hours. But that being said, that's just me. Okay. So I'm gonna tell you story about a gentleman named David Young David Young. He and a guy named Bill Gross, they built up a company called PIMCO with about five guys over 20 years Pemko for those in the commercial real estate world. It's one of the biggest, most respected financial money managers in the world for many, many years. Okay, so they build it from 80 billion to 1.2 trillion. These are some of the smartest guys in the world when it comes to those kinds of things. Now, you can imagine these guys get approached by a lot of people for a lot of tax strategies to put to their clients, right. And they just kind of say no to most things. Well, you know, they all retire from Pimco, David and five of the guys from PIMCO former company called Anfield, capital. And over a about five, six years ago, they get approached with the deferred sales trust for the first time. And like most of us would say, Oh, it's too good to be true. And they thought it was too. But David had an open mind and started his team. And they had their legal team review it, and they did a to your due diligence on the entire structure, talk with clients talk with the tax union, you created it, the entire thing, and they came through to conclusions. Number one, the person who created it, that may be the smartest person we've ever met. Number two, we're all in. We will put our name on this and we will manage capital for any DST client that wants us to be a part of The money management team. And so what I asked everyone who's on who's listening to this any CPA, tax attorney or anyone else. And David also say he's not a tax attorney, but he has his team look at everything. You know, if it's good enough for Davia, and his legal team, after two years of due diligence, and he puts his name on it, is it good enough for me, Mike, and everyone else who's listening to this, and that's what gives me the cap of confidence. I've seen that done over and over and over again, with some of the smartest tax attorneys CPAs, who at first are very skeptical and cautious as they should be, become what I call believers, and start to send us referrals and do a lot of deals with us. And so, yeah, that's, that's it. And you can watch that entire interview that I have with David on my YouTube channel, just go to capital gains tax solutions.com and searched David Young. I have a bunch of content with David, that we talked about this in detail.

Mike Stohler

And where else can people find you?

Brett Swarts

Yeah, then go to capital gains tax solutions.com. I have a free ebook for any of Mike's listeners listening right now sell your crypto business or real estate smarter using the DST. We also have a brand new book we just released with Kevin Harrington from Shark Tank, it's called Building a capital gains tax exit plan. And we we believe it's the proven playbook for unlocking your ideal wealth plan for yourself or your clients. When exiting any asset of any kind. Here's the key. It's got to be a million dollar net proceeds million dollar gain, so helps you to qualify, it's gonna be big enough, okay, that's per transaction, unless you have to hit $500,000 each. So go to capital gains tax, which not com or go to Amazon and search building a capital gains tax exit plan. You can buy the book there.

Mike Stohler

Register been enlightening. This has been just a pleasure. You know, a lot of the podcasts are kind of like going, Yeah, you know, good information. But I think that a lot of people can including myself, we're going to really look at DSTS I just can't believe why didn't I do this 10 years ago. But thank you so much, Brett for coming on the podcast.

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