TRG 68 Transcript

Nichole Stohler

What if you could be doing something smarter with your money that creates income right now? If you're an IT professional who's wanting to get ahead financially and enjoy greater freedom of choice, and if you wonder who else in tech is creating ways to make their money work for them? You want actionable ideas with honest pros and cons and no fluff? Welcome to the richer geek podcast. We're helping IT professionals find creative ways to build wealth and financial freedom. I'm your host, Nichole Stohler. And in this podcast, you'll hear from others who are already doing these things and learn how you can too.

Nichole Stohler

Welcome back to the richer geek podcast in Episode 18. We talked with Greg show about 1031 exchanges, and these are an excellent vehicle to grow your real estate portfolio Basically, these exchanges allow you to sell a property or investment property roll over they

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Capital Gains proceeds and more importantly, the depreciation recapture. Because if you've been leveraging that, that is a big chunk of money, and you roll it over into a new property of like or greater debt. Essentially, there's some challenges with this strategy depending on what's happening in the market and your ability to find a great property to exchange into. And I guess the question is, is, if you can't find anything, what do you do? Do you just pay the capital gains and depreciation recapture? Or is there another option? Now, I've been hearing about a couple of alternative options that do allow you to continue to defer your capital gains and your depreciation recapture. And today's episode is regarding one of those options. Brett Schwartz is the founder of capital gains tax solutions, and he's the host of the capital gains tax solutions podcast so you should check that out. He specializes in deferred sales trust, which is a way that you can deliver

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From a business or real estate, and then invest back into a new business venture or investment in real estate at any time, or as Brett says, optimal timing. Let's jump into the show. Brett, welcome to the show. Nichole. Thanks for having me. I'm really excited to talk about this topic today. You and I were just chatting a little bit before we started recording. And I feel like the options that you're going to present and what you're going to share with us today is information that I wish I personally had known. When my husband and I sold some of our real estate properties and then moved into other property. I think the only option that I was aware of at the time was 1031 exchange. So I'm excited to get into some of the other alternatives. Tell us a little bit about your background. Yeah, sure. Thanks for thanks for having me on the show. I'm excited to add some value to your listener. So you know, I started actually originally from the Bay Area. So Mission San Jose.

Brett Swarts

Fremont for your listeners who may be in Northern California. And, you know, I grew up hiking mission peak if anyone's ever been up on top of that mini mountain or mini hill there and grew up in the 80s, right, where business was booming and a lot of ways and my dad was an entrepreneur and a real estate owner, and a businessman there. And so I learned kind of the sticks and bricks of real estate there in Fremont. And I always knew I probably wanted to be in real estate, I just didn't know how. And I learned. I started I went to college and I played basketball in college and I was able to take an internship at a company called Marcus and Millichap where I learned investment real estate on the brokerage side of things like a real estate agent, but selling multifamily properties. And that was in like 2006 to 2011 that was that range. And I was just kind of a new a new agent in the business just kind of learn you know, it was 100% commission for those who don't know if a real estate brokerage, right, it's either sink or swim.

Brett Swarts

And it was tough, right? Because I was new and I was trying to make in the business and I was also just married. And my wife and I, we had a baby girl. And so I was trying to support the family growing up, it wasn't always easy. I mean, my parents actually were divorced when I was young. And my dad had a lot of money, and my mom didn't have a lot of money and, and we live with my mom and 90% of the time. And so we actually had kind of a humble, humble upbringing. So I always knew I wanted to have margin in my life, right, I wanted to have financial security and want to be able to provide for the family and, and so but it was tough. I was just barely kind of surviving. And during that time, I just getting some momentum, but all of a sudden, the 2008 crash hit. And it was like a brick wall, right? Just as you're getting going, boom, hit this brick wall. And so I did what every good entrepreneur does or person with a dream, right? You figure out a way to keep it going. And as a part of that. I got, you know, side jobs and side hustles is working by nights at a restaurant called Cheesecake Factory, which I'm sure you're listening

Brett Swarts

There's no in Northern California. And by day, I was making calls to try to help people sell real estate. But at that time I was going through my struggle, they were also going through their struggle, a lot of the friends, family and clients lost everything during that crash, right. And we're lost a lot of their wealth. And in part, partly because of a thing that we try to identify, like, what could we have done better, and it was the 1031 exchange, right, and forced them to do too much property in too much debt and too short of a timeframe, which created a big, big liability, and some of them lost it all. And so, I set out on a journey to basically figure out how do we help escape, you know, our friends, family and clients and ever faces ever again? And how do we create more of a transformational wealth plan, not just a transactional wealth plan? And so, just the right moment, I guess you could say or I guess, in my journey, you know, 2009 2010, a gentleman came in and spoke at our office and Marcus and Millichap and we learned about a strategy called a deferred sales trust, which we're going to talk about here in a minute. And all of a sudden, I learned about

Brett Swarts

it and I tried to apply to my business. And then my business started to grow. And as it grew, I was able to my wife and I fast forward over 10 years, we have five kids, and she's been able to stay home full time with them. And I've been able to succeed in real estate and investing. And now I coach and educate everyone on this strategy so they can to create and preserve more wealth. That's it's such a great background. I love hearing you know, where you came from. And it's interesting to how many people, their parents, one of their parents was involved in real estate, and then, you know, it kind of becomes a like, I don't know if I want to say an addiction, but like something that you are thrilled and interested to be around and definitely know Marcus and Millichap. Well, I was thinking as you were talking about what happened in that timeframe, that you know, property kept going up and up and up whether it was real or not. And I actually have a fellow Rotarian who was telling me that

Brett Swarts

She had to declare bankruptcy, they had a triple net, it was like a Jiffy Lube or something. And it just went up in value. And so they said, hey, let's sell it. And it was right around that time. And they did a 1031. Because I think most of the time, that's what people only know about I know that's, that's all my broker advised me about. And so they did the 1031 into office properties in different locations and just lost everything and she she says, Man, in hindsight, I would have just taken the you know, pay the taxes or maybe a strategy like we're going to talk about So yeah, that's very real. Yeah, you do nailed it on the head. And that's honestly why we started the company to help people escape feeling trapped by capital gains tax, our company's called capital gains tax solutions, plural with an S because there are multiple solutions. And you're right most commercial real estate brokers don't know about this. In fact, I was at Marcus and Millichap the largest investment real estate brokerage firm in the nation specializing in sales, and we didn't even know about it until 2009 2010. And so I'm going

Brett Swarts

There's this huge gap this this has been around for 24 years, thousands of closes, it's been proven by the, you know, proven and tested by the IRS, and no changes at all with any of the audits. And so it's been there. It's just people don't know about it right. And they don't know until somebody educates them. And that's what we're on the mission to do. So that folks like your friend there will never have to feel trapped by capital gains tax overpay for properties not be diversified and in the worst of all, lose it. All right. That is that is kind of the worst of all, all scenarios there. So yeah, let's dive right in. Okay, so right before we also started recording, I said, oh, we're going to talk about DSPs, which I've heard of that strategy. And you started out of the gate saying, we have to make sure the DSP could mean two different things. So maybe we could start there. Absolutely. Most people they hear DSP they think about the Delaware statutory trust. I think they know what we're talking about here until we actually dive in. So the Delaware statutory trust is not a deferred sales trust. In fact, a Delaware statutory trust is just another form of a 1031 a

Brett Swarts

But you might be saying, well, what's a 1031 exchange or 1031 exchange is where you can sell an investment property such let's say, like a 10 unit multifamily property, right in Fremont, right. And you can trade it for like a 35 unit apartment in Palo Alto or something like that, right? You've perfected a 1031 exchange, you trade at one property, and you roll all of the proceeds into the second property within the period of 180 days, which creates a couple challenges and a couple things to really consider. And the biggest one, the first one is our parents taught us to sell high and buy low, not sell high, right, and buy higher 180 days later with more debt right in the same seller's market. And that's where most folks don't really think about it, because they only have that one option. So a Delaware is just the same form of a 1031. Except it's like a big corporation that's over here. And you're actually going to attend 31 exchange via Delaware in your interest or your equity into an interest into their property. And then you're going to be completely no control completely illiquid.

Brett Swarts

Probably seven to 10 years, very high end fees returns five to 6% range, you know, on a cash flow basis, and for most folks, and they don't want to be 100% in with just one person not diversified. And again, also overpaying typically when they're buying and selling in the same marketplace. And that's the key here, we want to create something that gives you optimal timing, right, meaning you can sell high and buy low, not sell high and buy higher, which is again, what our parents taught us not to do.

Nichole Stohler

I he phrased that so well not sell high and buy higher. And that's actually when I talk a little bit about Mike and I, our story is we were in multifamily small apartment complexes, sub 100 units. And when we got an unsolicited offer and sold, we looked around at the multifamily properties and said wow, this isn't doesn't even make any sense. And so we actually pivoted to hotels. So that's it's an interesting thing because it all came about when

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100% because of a 1031 exchange, and I didn't know about other options, so tell us about the DST that you

Brett Swarts

told me about the DST that you have created. Yeah, we called the better DST. Okay, the better option here. So a sort of premise, and this is the premise most high net worth individuals, they struggle with capital gains tax somewhere between 30 and 50% of their gain, when they go to sell their high end primary home. business investment, real estate, cryptocurrency tech company, you know, whatever, whatever you're selling, if it's highly appreciate it. There's a capital gains tax, guess what Uncle Sam is your partner and they want 30 to 50% of that gain. So let's just say you bought a primary home for $500,000 in Palo Alto 25 years ago, and now it's worth $5 million dollars, right? Well, that's a $4.5 million gain. Now if you're married, let's just say and so this could be some of your parents.

Brett Swarts

start imagining in like my parents and Fremont, this is this is kind of what happened to them. So if you're married, not that high for Palo Alto for Fremont, but if you're married, you get a little $500,000 exclusion, right, which you get, you get to kind of a little bit higher basis. Now you're at a million at least, but then you have a $4 million game. Well, if you do nothing, the state of California going to take 333% of that, which is 333 $30,000. Right? If it's an investment property, you could have depreciation recapture, and then you have

Brett Swarts

a Medicare tax and that can be as high as 45 to 50%. Okay, so that's the issue, we're dealing with this huge gain in this huge tax liability. So we use a deferred sales trust, which is another form of an installment sale, which we'll tie into here in a minute to give our clients tax deferral, liquidity, diversification and the ability to eliminate the need for the 1031 exchange and buy real estate at optimal timing. So they can have a transformational wealth plan, and so that they can create and preserve more wealth. So I just had a whole lot there, but I'm gonna start to unpack this slowly. Okay, so you have this big tax here, this

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property that's been a huge value or cryptocurrency that's huge value do you want to sell but if you sell you get hit with the tax well instead you can sell move all the proceeds into this trust and imagine it kind of like a like a 401k right or kind of like an IRA right? Now when it's sitting there, you can invest it wherever you want stocks, bonds, mutual funds, you can put it into investment real estate of your own or with partners, all or in part, right. You need to keep 80 20% liquid, but the rest 80 can go immediately. So we just closed a deal, Nicole, this is a $7.6 million property in Georgia. Okay, and this gentleman lives in San Rafael, Northern California. And he for 30 years he's bought and sold real estate and he's done hundreds of properties, numerous 1031 exchanges and for the first time in his career, he decided to use a deferred sales trust and and and the biggest reason was he didn't want to overpay for property, right. He didn't want to sell high buy higher, but he also didn't want to take on a bunch of debt. And so debt is not your friend and a highly appreciated overpriced low inventory market. Right?

Brett Swarts

In fact, it's your enemy, you actually want to be out of debt at that point you want to get on the sidelines, you want to get liquidity, you want to get diversification, and you want to wait for the deals to come and they're going to come right, they will come. And so that's what he thinks, too. And we think that as well. So what did he do? Well, instead of overpaying for, let's say, an eight or $9 million deal, and taking on, let's say, four and a half to five or $6 million of debt, he paid off all this debt at closing. And he moved to $3.1 million into the deferred sales trust. In fact, he was actually at the 1031 exchange company, we actually saved his failed 1031. I mean, he was looking at cap rates at four and a half 5% in North Carolina for apartment buildings, and he's going to only do the cap rates don't make sense. But the rents are so pushed up. There's not a lot of value add like, I'm insane to buy this. So instead he goes, I'm not gonna buy it. I'm gonna move it to the deferred sales trust. So now what does he have? He has liquidity. He's out of debt. He's diversified and he's just waiting for the market to shift. And that's the essence of what we do. We create something where he doesn't have to be in real estate. By the way, he's also like, 17 He's like, I don't necessarily

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More toilets, trash and liability. In fact, I kind of want to be retired from all this. Now I might want to jump back in for maybe a $3 million deal or $2 million deal or a $500,000 flip house. But I don't want to be forced to have to just chase what I call the 1031 rat race and just keep chasing more deals at a state, like I'm ready to be retired. And so that's the transformational part because we give people the option to be in in real estate or out to be in debt or out of debt to buy on their own or buy with partners, right? We're no longer in this small little container of a 1031, right where we have to fit in this box. And that's again, where most people they spend their whole commercial real estate career. Not to mention that the 1031 doesn't work for a primary home, whereas a deferred sales trust as we just did a deal in Cupertino, a $3.1 million sale. And she felt trapped in her house. Big House kids are gone. She has debt on the property. And it's illiquid assets. She's just sitting on all this equity. You know, she's five miles from Apple headquarters right $5 billion campus. Her property has gone way up in value, but above

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On her 121 exclusion, she owes about $400,000 in capital gains tax. So instead of just paying the tax, she uses the trust, he pays off all of her debt, she moves all the funds into the deferred sales trust, he has an extra $400,000 to live off of. And now it's invested into stocks, bonds and mutual funds of her choosing. And she's making interest on it. So I'll pause there because I said a whole lot, making sure you're catching all that. That is incredibly fascinating, especially when you just mentioned the primary home. That's Wow. Okay. I do have a couple of questions. I think the first is you mentioned that 20% has to be liquid as far as the overall chunk of funds that you put into the deferred sales trust. But what are the other rules? Great question. So they can't be put into a primary home and they can't be put in if you're going to spend it on like personal stuff, you'll just be taxed. So most of our clients like to pay the tax the second data never meaning they're gonna keep this principle in here are typically 10 year notes and the notes are somewhere targeted to to reach

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net of all recurring fees, okay. And in the meantime, you can invest in stocks, bonds, mutual funds or investment real estate of your own with a brand new depreciation schedule, by the way, or with partners, right? And so part of Dave's deal back to the one who's in San Rafael, he put $2 million with a hard money lender that he likes. And it's getting about 6% on that money right now, but it's really safe, it's liquid. He likes that he put that in there right away. And then he's just waiting all tax deferred. Again, he saved 1.1 million in tax. And so the key the government puts these these loopholes, legal loopholes in place so that it keeps the economy moving, and it keeps the money flowing, he actually creates more jobs creates more tax revenue. Now the other 20% needs to stay liquid. Okay, so that's diversified investment grade security. So we're talking Netflix, Costco, Facebook, Google, all the top SNP type of stuff. It's gonna be there. We have a financial advisor who's a third party who provides these services right? And they present an allocation and you present it so we just don't want 100% going until an election.

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asset like a real estate deal, and all of a sudden, you know, something goes wrong and the trust fails. So over the 20 years, no trust has failed, has failed at all legally with the IRS. And none of them have felt failed financially with a financial advisor. So we want to keep that track record in place. So that's why we kind of keep that little buffer there, if you will, but it's still your money is still earning interest. And you're still living off that it just can't put all of it into one real estate deal. By the way, it can also fund a business venture. So for any tech entrepreneurs that are listening to this, if they were to sell their you know, to somebody and they want to fund a new deal, well, why not? You know, you sold it for 5 million bucks and you would have paid 2 million in tax, why not put all 5 million to the trust and then use up to 80% of that cost 4 million to go start your new startup? Right?

Why go to the venture capitalists Why go to the angel investor, buy go to the bank, we call it the Go Fund yourself, right? So fund yourself with your own trust, pay back your trust, this is going to pay you and walk through all of that. But essentially, this is why it's transformational. You can literally take a primary home, business or real estate

Brett Swarts

a tech company you sell Bitcoin, you can sell it defer all the tax. And then once you're there, it's like the world's your oyster, if you will, for as long as its investment or business purpose. And then once you're there, are there any timeline kinds of rules like a 1031? You know, you've got none. So 0000 and this is why it's it's just mind blowing, right? Because most real estate investors who are listening to this, we know when it's a seller's market, we know when it's a buyers market, right, and the key is gapping, the two and it's a rock and a hard place for 1031 exchange investors who, who, what I like to say, like Warren Buffett, when the tide goes out, you see who's been skinny dipping, right? The challenge is, I know I've been overpaying. I know I took on too much debt and I didn't want to but it but I had all that tax I my broker, you know, by the way, it's not your fault. Your broker a didn't know or didn't want you to know why because they get that commission. You tend to it's not your 1031 exchange companies fault Why? They don't want you to know either right?

Brett Swarts

Because they get their funds and they want to keep you in this 1031 rat race. So we like to say don't do that there's a better way, it's a new way to you, although it's been thousands of closes, you just got to get equipped to understand. And that's where that's where we jump in. So hopefully that answered the question. It does know a little bit of what you're saying reminds me of a self directed IRA, in some ways, although there's a lot of rules there, right? So you cannot, I couldn't go out and buy a rental property that I was going to self manage if it was through a self directed IRA. So there's none of those rules either. No, exactly zero. That's what's beautiful about this, too. There's, there's no early distribution rules. Now as you receive income, you'll pay tax on it, right? But you don't have to wait till you're 60 to do all that stuff. That's why I stopped doing my self directed IRA going. I'm 37. I'd like to retire hopefully, by 55, maybe 50. But I don't have to wait till I'm 60 or this or that. So I said forget the self directed IRA. I'll just pay the tax. Right and then I'll go and buy something and highly appreciate it and then do the deferred sales trust. So there's no rules there. You can you can

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own your own property. By partnering with the trust, we have unique way in which we do it. And you can do it all yourself and manage yourself or hire a property manager no problem. You can have the income sheltered as well back into the trust as well. There's a nice way to do that as well. And you get a brand new depreciation schedule, which is also very powerful way to do in fact, we just did a deal out of marine California. It was for a gentleman who was a baby boomer, he's selling 18 units in South Sacramento. He's driving about three days a week from Marin to Sacramento fighting traffic anyone's ever made that drive. You know, I have multiple times. It's terrible, right? And so with all the traffic, that being said, He's like, I got 18 problems, Brett, I got all these rent control laws and build all this headaches. All this toilet trash, trash and liability, and I want to do deferred sales trust and I said, Well, why do you want to do deferred sales trust, he goes, Brett, I had 18 problems. I didn't want to train 18 problems for 36 problems. And I said Peter, I couldn't have said it better than myself. So I actually had him on the podcast. I have an interview. You can watch

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Online watch all that he tells a story. But that's exactly right. Like people are ready to be out of the toilet trash and liability. They want options and they want flexibility and then they want a new depreciation schedule because if you own property long enough, you eventually deplete that depreciation schedule and guess what depreciation is one of your best friends for real estate because it offsets the income that comes in, which lowers your taxes, but eventually 27 and a half years, if you own multifamily, you go to zero on the depreciation schedule, and then as you sell and trade up or do a Delaware 1031 that depreciation schedule travels which is not good, right? The goal is to get a brand new depreciation schedule. So the solution is the deferred sales trust. So he sold, paid off his debt, deferred his tax and he's sitting on the sidelines waiting right. And then when he goes back into real estate, brand new depreciation schedule and for him, he probably wants to go into out of state mobile home parks senior housing multifamily, where the cap rates make a little more sense where there's not so much restrictions like here in California for owning multifamily and where the prices aren't through the roof, right. So I'll pause there and see it.

Nichole Stohler

To answer your question, or if you have more, it did, Wow, that is really fascinating. Now, something else that you mentioned, you talked about IRS, and also the financial planner and making sure that everything's on, you know, dot the i's cross the T's, which it only makes me think just I do have a question cuz some of these advanced strategies, sometimes you really have to have kind of that layer of protection. I know that we did a whole extra depreciation cost segregation study around our hotels, and as a result, you kind of had to get the guarantee that if the IRS had questions you've got so are you in a similar? Are you is an advanced strategy, basically. And are you in a similar boat? Yeah. So I think a better way to ask the question is how do we know this thing is legal? Right? It sounds too good to be true. Seems like my CPA would have told me about it. Or even if it is true, like what happens if the IRS comes after me, right. So first thing to understand is the track record. So if anyone

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whenever it comes to the brand new tax deferral strategy such as this or cost segregation or 1031, exchange or whatever you find out like what's the IRC tax code? What's you know, it's IRC 453 Well, what's that? Well, it goes back to the 1920s Okay, that's pretty old. Yeah. It's known as a seller carry back right okay. Your CPA is gonna know about that. All right, so it's based upon that okay, well how about how long have you guys been doing your former that have this installment sale? Well over over 24 years Okay, how many closes thousands of closes All right, the what was the biggest close 120 $5 million deal in San Diego which happened to be the largest audit also ever in the history of the deferred sales trust. I mean, car dealerships, dentists, veterinarians, optometrists, self storage facilities, hotels, multifamily, all of it You name it, okay. We we've collectively close those deals. All right. Well, what happens if I get audited? Well, the IRS the the tax attorney to create the credit the structure, they provide what's called audit defense at no additional charge for the life of the trust part of their part of their one time fee. Okay.

Brett Swarts

Which is nice and they also provide indemnification. Okay. indemnify the client, which is important. They stand behind the record more than all of that the most important question you want to ask somebody who's bringing a new strategy is this. How many of your actual audits Mr. Attorney, Mr. legal person, has your actual clients survive? Or you actually defended them? And and what was the outcome? Right? And also, are there any live pending cases that I should be aware of, in case this thing's going to go south? Right. And so in the deferred sales trust side, 15, okay, of which 12 of them were random audits, the biggest one was 125,000,003 of them were actual formal audits. We've had national law firms we have with it, we've survived scrutiny from FINRA. We have a whole financial advising, you know, companies who have signed up with us and they've scrutinized it. We have a former IRS agent attorney who's provided services for his client. In other words, there's been more scrutiny more eyes on the deferred sales trust than just about anything besides like the CRT the

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1031 and like, say the Delaware. I mean, there's been so much and here's the key. All of those audits were no change audits, not one single issue. Also, there's no pending litigation. Okay. And so all that being said, that is the track record, we stand behind our work, the tax attorneys stand behind their work. The next most important question is, well, how do I know the funds are protected? Well, we set up by a third party bank, who provides what's called dock account protection, direct access control room, it's kind of like escrow for your funds, Nicole, so they don't move without your signature. So it was Nicole's deal. They don't move out her signature, right. And that's really important as a trustee. I can't just move the funds, right, they have to be signed off by you just like if you paid the tax and put it with their bank, you'd have to sign. The difference is you're not going to pay the tax move to the deferred sales trust, you still have to sign so we have that in place. We actually also work with TD Ameritrade. That's where our financial advisor trades on that platform, which is now the largest bank in the world. They just bought Charles Schwab, he had 24 seven access to view the funds and so all those protections, all those systems

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are in place. So hopefully that answers the question. It does. It does. Okay, so tell me a little bit about the process. From the time that you let's say someone's listening and they are in the middle of selling a property or they're thinking about selling a property or a business or something, or crypto or whatever it is, they're selling something that it has highly appreciated and they're going to have enough taxes that it makes sense to start looking at options. What does that process look like? Great question this is secret number two optimal timing transformational wealth playing cloning, okay, how to clone a proven wealth plan with capital gains tax solutions in less than five hours and become time energy debt free and the ability to go live your wealth dream, whatever that may be starting a new business, investing in real estate being diversified being passive being active. Okay, so we basically have already figured it all out. We already have the this the plan already there and you can just clone it. You can literally just say, Brett, I'm looking for a B and C not so much e okay, but what's the mark?

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what's already been done? Let's put this in front of you. And let's see how we can execute this business plan. That being said, Okay, I have it's a $5 million, you know, business sale coming up and it's coming up in 90 days. Well, you need to get with this early, right, we have to do this before close of escrow. You can't sell, you know, have the fun sent to you, and then think you can do this. You can't you have to actually do this before. That's the key to keeping the tax deferred. So, so you connect with us step one, for 30 minutes, we kind of map out the initial, you know, what are you selling for? What's your basis? Okay? Your liability is greater than $100,000. Okay, and your deal is at least $500,000 or more, okay, we've established that you either can or can't do a 1031. Okay. Do you want to defer this tax? Our average deal is about 2.6 to 2.9 million, and we're deferring around 400 to $500,000 in capital gains tax liability. So we kind of established the introduction, the initial questions. We also have an online Academy that folks can if you're a business professional listening to this, you can get some

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Coaching on that if you're if you're an owner and after you have the one on one consultation call you get access to that. That being said, once we establish the initial part, you say, Okay, this looks pretty good. Let's do the second part. The second part is just with the tax attorney. And you're going to we're going to talk about your particular deal. We're gonna answer any additional legal questions and kind of kind of like a little bit deeper than part one, and that takes about an hour, bring on your CPA, bring on whoever you want to make sure they ask the tough questions we love. We love that. That's how we've grown actually to thousands of business professionals across the US. commercial real estate brokers, title companies, escrow companies, 1031 companies, financial advisors, and so you bring them on we talk okay like that. That sounds good. They send out a conditional engagement agreement, you sign that if you like that, then you move forward towards closing we just set everything up before closing we established this trust, we introduce you to the bank, we introduce you to a client so close it for extra extra like you know, comfort, and then we closed and the funds are sent to the trust to the bank account and name of the new bank account trust and therefore

Brett Swarts

We are deferring the tax. So that's kind of the kind of the the big picture. Okay, but just so you know, nothing is due to us unless and if the client closes the deal. Okay, so we don't charge for any of that if some reason they say No thanks. Or they say, Oh, the deal didn't close, my buyer backed out, no problem. Hey, we'll be there when the next one, right? So we want to take all the pressure off. We want to take all the sales office if we can just educate you, the client, you know, whoever's listening this but if you're a business professional, we also want to equip you with this right? So we work with the realtors, commercial real estate brokers, commercial real estate syndicators, because another thing you're not we're not mentioning for the hotel syndicator. Right? A lot of them don't accept 1031 money, right? It's too complicated. So they just say pay your tax and come come in here. Well, now you can do a DST and then you can deferred sales trust into your deal. It's just as an LLC, so you just look at it as an LLC, it doesn't make any difference to your structure. It's beautiful. And then likewise, when you go to sell that property, Nicole, you have what's called carried interest, right. And most of the time, most of the syndicators we work with they don't tend 31 out why because the whole entity must move and so if they have part

Brett Swarts

nerves, it's just too complicated. They just, you know, some partners want to get out. So what's cool is the deferred sales trust each individual partner can have their own DST or 500 can have their own DST, the other five can just pay the tax. In other words, the whole entity doesn't have to move. And each individual portion can have their own DST that's not commingled with the other ones. And so we like to say it's the best thing for syndicators because not only you're going to attract more wealth, but you're gonna help them save 30 to 50% on the way in, then you can help them save 30 to 50% on the way out, and then you can have that much more 30 5050 go into the next deal. So it's really, really really powerful once you start looking at the the law of compounding interest in the law of arbitrage. So I'll pause there hopefully that made sense. It did and you you hit upon something it's it's interesting when you said so are the recent hotel deal we did. We did syndicate that hotel. We did have someone who was pretty anxious how to 1031 wasn't able to find anything was very interested in investing in hotels primarily because that particular person

Nichole Stohler

had not invested in hotels and had done a lot of other types of real estate was very interested in our particular deal. But we could not figure out a way without having that investor be on the other side. Right. And so we just had to say, yeah, this isn't gonna work. And the reality is, as more and more people have invested in real estate during this, this time period, a lot of real estate has done very well. And there are going to be a lot of people that have funds that would be under that kind of umbrella. So I think that is very, very helpful to know. Yeah, can I touch on that real fast, too. So this is actually the demographics which is staggering to think about. So this is according to the American Bankers Association, there's about $17 trillion. That's going to pass from one generation to the next in the next 20 years. And this is by the baby boomers, and it's known as the largest wealth transfer in the history of the planet. In fact, there's 77 million baby boomers in the US alone and there's about 10,000 every single day to

Brett Swarts

Turning 65. Okay, so you have this massive amount of wealth that's built up in high end primary homes, commercial real estate, and private equity or businesses. And they feel trapped, right? They've made their wealth for 20 3040 years, and they want to sell they want to retire. But they don't want to give it all away to the government, but they don't know how to get out because the 1031 doesn't work or doesn't it's not an option, enter the deferred sales trust, they can sell pay off all their debt, they can put, you know, let's say it's a $5 million deal and put a million dollars into the hotel deal with the coal and put a million dollars of their own multifamily property, they can go a million dollars to fund a development deal if they want to do that. And put the rest of it in the stock market or whatever, right. The point is, they have freedom, they have flexibility, they have options. They don't ever have to worry about toilets, trash employees liability ever again. In other words, it's transformational. Right? And then what's cool is it can pass on to their kids inside the living trust and the kids can step into their shoes and just keep this thing going for as long as they and the kids want it to go. Or they can direct some of it to charity, but not all of it to charity. Why that's the difference between us and the car.

Brett Swarts

Basically, you're going to give it all to charity where someone says, I'm charitable, I'm just not 100% charitable, I might be 50%, I might be 20% I'll be 10 whatever it is, let's do that amount to that particular charity that you like. So

Nichole Stohler

I'll pause there too. So any thoughts on that 17 trillion that's going to pass. Well, it's interesting because the whole premise of this particular podcast we're really talking about w two earners, doing something smarter with their money. And a lot of times what I mean by that is owning a business which you know, owning even just one single family property as a rental is a business should be LLC should treated as a business all the way to you know, building a business and we talked about those different types. What you've just hit on is, especially when we're talking about Bay Area, you know, California the appreciation of homes there is that you can the fact that you can take your primary home, offset, not have to pay those taxes. You

Nichole Stohler

You will have taxes in in a, in a place like California, you you've had such appreciation over the time period with all the tech companies and all all the jobs and opportunities that have come in and move to a lower cost of living area and take the funds and then you could you could buy a business, I love that. Or you could just relax on the beach and drink margaritas, which is fine too.

Brett Swarts

You hit it right, exactly whatever they want to do or not do, essentially is available with the deferred sales trust, right. So it truly is transformational, and we're really hoping to spread the message because otherwise it's 17 trillion. If there's not a good solution, what's going to happen either a they're not going to sell or be there. They're going to sell and pay the tax. And then guess what? The government they can spend that pretty fast right Nicola in our experience, they spend it you know, I'm flicking my fingers right now for those who can't see me. It's that fast. If this money just gets depleted Well, well, we can keep it in our family and our friends and our clients in our state.

Brett Swarts

in their states, right? If we keep all of this, we can give more to the causes that we believe in, right? I mean that people really need help. And we can hold people accountable for the funds that are going to these charitable causes. So it's more than just external, hey, save some tax. It's really transformational for what this capital, which is, again, the largest wealth transfer in the history of the planet, it's happening right now. Right? So when you give solutions to people, so if you're a business professional, listen to this, and give this solution right. Connect with us so that we can help, you know, provide you this tool to equip your clients. If you're, if you're younger, say, Hey, I'm just a W two. I'm a Hi I'm a Henry right. I'm a tech person who's high high income earner, not rich yet just trying to figure this thing out. Well, maybe your mom and dad are selling that house, right? You talk to all make sure they're equipped with this right? And that's the goal is just kind of spread the message. educate everybody, empower everybody, and then allow them to use it should they like to use it? This is really, really helpful. It's one of those things that I wish I had known myself a couple of years. I don't know, I even just with this last

Brett Swarts

syndication just would have been really helpful to know. And I'm glad to be able to bring it to the audience and I'm really excited that you were joining us today. So Brett, can you tell us where can listeners get in touch with you or learn more? Absolutely go to capital gains tax solutions.com we have a free book ebook it's called selling your real estate or business smarter and basically it's going to give you an overview of the deferred sales trust You can also check us out on iTunes capital gains tax solutions, podcast those are the main places we're opening up a new website expert tax secrets calm and that'll be our educational website for business professionals and or for the clients to get their hands around cuz a lot of people want to just watch and dissect this, you know, slowly which is totally cool. We want to put that on demand for everybody. So yeah, go to capital gains tax solutions comm You can also find me on LinkedIn, Facebook, you know, search Brett sorts. Awesome. Thank you so much for joining us today. You're welcome. My pleasure.

Nichole Stohler

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