

# Transition to Passive Real Estate Investments

Tax-Advantaged Strategies for Investment Property Owners

Dear [Investor Client's Name],

As your property manager, we understand the challenges of managing investment properties — handling tenants, maintenance, taxes, and the significant time commitment.

*The "Terrible T's" of property ownership — Tenants, Toilets, Trash, and Taxes — don't have to be permanent. If you're considering selling your investment property, there are strategies that may help you pursue your financial and estate planning goals while potentially deferring capital gains taxes.*

By listing your property with **[Property Manager/Realtor Name]**, you can explore a **1031 Exchange** to transition into passive, professionally managed real estate investments — without the headaches of active ownership.

## Potential Benefits



### Capital Gains Tax Deferral

A properly structured 1031 Exchange may allow you to defer federal and state capital gains taxes by reinvesting sale proceeds into qualifying like-kind real estate investments.



### Passive Income Potential

Certain investment structures are designed to provide regular distributions, though amounts will vary based on the performance of the underlying assets and are not guaranteed.



### Potential Equity Growth

Professionally managed commercial real estate may offer appreciation over time, without the burden of active property management. However, real estate values can also decline.



### Estate Planning Benefits

Many of these investment structures allow you to pass divisible shares to heirs, who may receive a step-up in cost basis, potentially simplifying wealth transfer to the next generation.

## Why List with Us?

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Many investors find traditional 1031 Exchanges challenging — the **45-day identification period**, the need to match debt and equity, or the risk of taxable "boot." Some even accept a tax hit just to avoid the complexity of acquiring replacement properties.

Our trusted partner, **Grace Capital Management**, specializes in alternative investment strategies designed for investors navigating these exact situations:

### Delaware Statutory Trusts (DSTs)

Fractional ownership interests in professionally managed commercial real estate portfolios, designed to provide passive income potential and possible appreciation. DSTs are 1031 Exchange-eligible and remove the responsibilities of active property management.

### Tenant-in-Common (TIC) Investments

Co-ownership of real estate with other investors, offering shared professional management and potential tax deferral through a 1031 Exchange.

## 721 UpREITs

Exchange property interests for operating partnership units in a Real Estate Investment Trust (REIT), which may provide diversification and long-term growth potential.

**Beyond Real Estate:** For investors interested in tax-advantaged diversification, Grace Capital Management also offers access to **oil and gas programs**, which may provide income potential along with certain tax benefits including intangible drilling cost deductions. *(These are securities-based investments, separate from the 1031 Exchange process.)*

These strategies can serve as a **backup plan** if replacement property purchases fall through, or as a **primary approach** for investors seeking to exit active management. They may also support estate planning goals — particularly for investors focused on preserving and transferring wealth to future generations.

### Ready to explore your options?

Schedule a no-obligation conversation to learn whether these strategies may be appropriate for your situation.

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Sincerely,

**[Property Manager/Realtor Name]**

[Company Name]

[Phone] | [Email]

OUR INVESTMENT PARTNER

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**Grace Capital Management**

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**Important Disclosures:** This communication is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any security. Investments in DSTs, TICs, 721 UpREITs, and oil and gas programs involve significant risks, including potential loss of principal, illiquidity, and lack of diversification. Past performance is not indicative of future results. Distributions are not guaranteed and may be funded from sources other than cash flow from operations. 1031 Exchange transactions must comply with IRC Section 1031 requirements; tax deferral is not guaranteed. Investors should consult with their own tax, legal, and financial advisors before making any investment decisions. Securities offered through properly licensed representatives. Grace Capital Management and [Property Manager/Realtor Name] are not affiliated entities.