

1031 Exchange Alternatives



"Redefining the Way You Protect Your Wealth"

Problem = Opportunity

The rapid appreciation of real estate, both residential and commercial coupled with stagnant rents, has created an interesting paradox in the marketplace for investment property owners.

Properties that formerly yielded a high rate of return now perform substandard relative to even the most mundane of investment vehicles.

For example:

In 1995 a property worth \$3,000,000 yielding \$300,000 amounts to a 10% rate of return!

Today that same property is worth as much as \$10,000,000, but the rents are only \$350,000. This gives us a paltry 3.5% rate of return.

Trapped Wealth

The appreciation in real estate values is astounding and has done a great deal to enhance the wealth of many. Unfortunately, the question remains: Now that I'm ready, how do I liquidate?

Is there a way to sell these appreciated properties, minimize the impact of taxes, and harvest a truly passive lifetime income? Lets take a look...

The Solutions:

- Structured Sale
- Real Estate Legacy Trust
- Pension Roth Strategy

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For questions regarding case design please contact:

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Structured Sale

Establish an acceptable installment option for the sale. The buyer will assign the installment obligation to a 3rd party assignment company and deposit a lump sum equal to the fair market value of all future payments. Using the lump sum deposit, the assignee company will then purchase an annuity secured by a top-rated insurance company with payments paid directly to the seller. Taxes on the sale are deferred and only paid as each installment payment is received.

Benefits: Deferral of Capital Gains Tax
 Increased Income
 Preservation of Income
 Earned Interest

Real Estate Legacy Trust

Establish a Real Estate Legacy Trust and gift highly appreciated property to it. The donor will receive a current income tax deduction for the gift, and remove the property from the estate so it won't be subject to estate taxes. The property is then sold by the trust (without creating a taxable event) to pay an income stream that can be equal or greater than the income generated by the property. In addition to replacing income, the Real Estate Legacy Trust will fund a Wealth Replacement Trust to replace the value of the property gifted to be left to heirs. Upon death, a portion of assets will also benefit a charity of your choice.

Benefits: Immediate Income Tax Deduction
 Potentially Greater Income
 Estate Preservation
 Philanthropic Contributions

Pension Roth Real Estate Acquisition Strategy

Contributions to a Roth 401(k) are not tax deductible, but assets within grow income tax free and can be distributed tax free as well. Thus, it is a great vehicle to own highly appreciating assets like real estate. The maximum annual contribution limit to a Roth 401(k) is \$15,500 with a \$5,000 catch-up amount if over the age of 50. The contribution limit makes it difficult to get the proper amount of money into the plan to invest heavily in real estate. A Defined Benefit Pension Plan, when properly structured, can accept much greater contributions than the Roth 401(k), and all contributions are tax-deductible. The Pension Plan can lend money to the Roth 401(k) which it can use to purchase shares of LLCs that invest in real estate. All income and growth that is attributed to the ownership by the Roth 401(k) are not subject to tax.

Benefits: Additional Income Tax Deductions
 Un-Taxed Property Income
 Un-Taxed Capital Gains
 Retirement Benefits

**These specific strategies may not be applicable for every transaction. Please consult with your tax advisor and RMA for suitability.*

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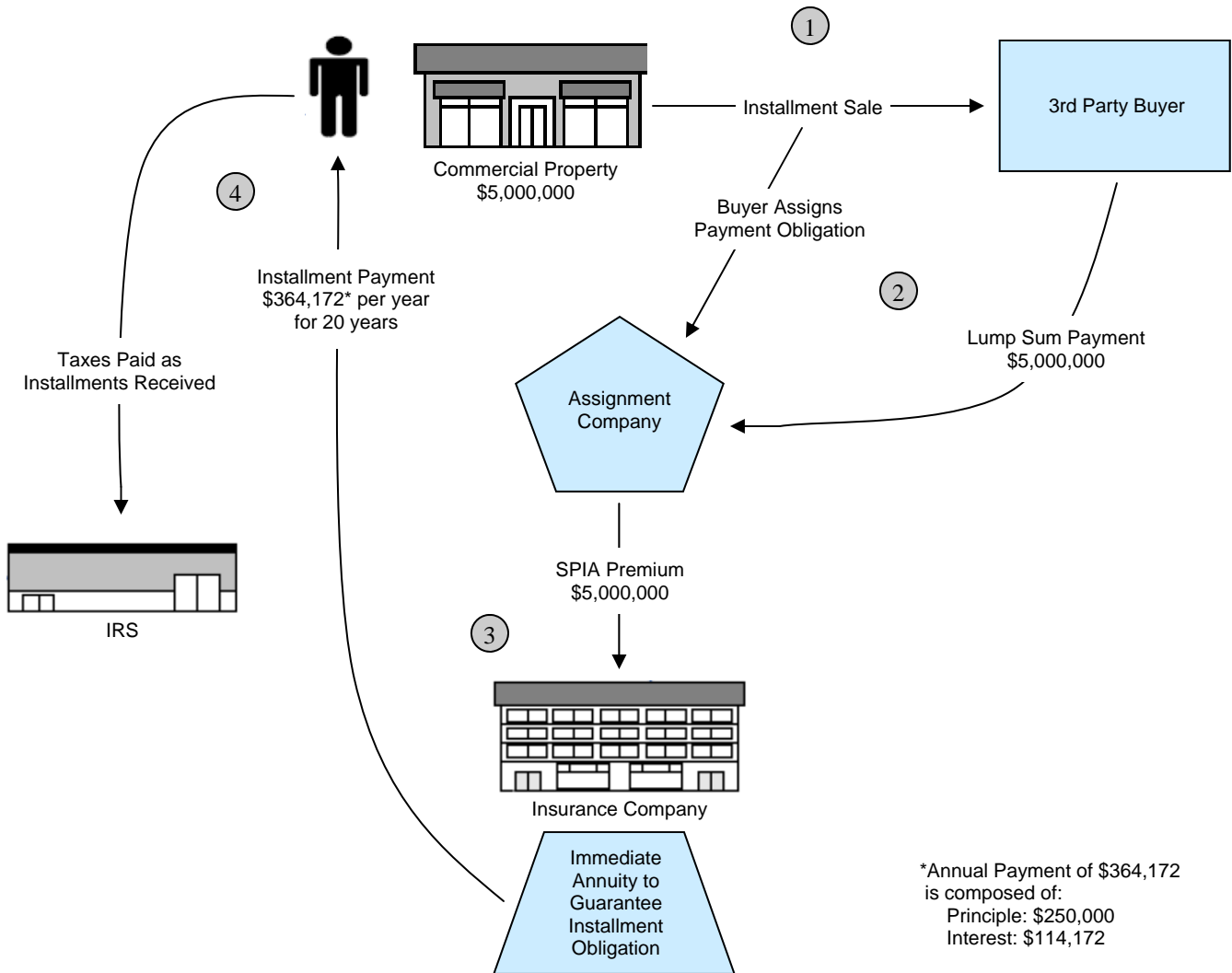
Structured Sale



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The Situation:
50 Year Old Male
Commercial Property Owner

Commercial Property Value: \$5,000,000
Basis through depreciation: 0
Gross Income from Rents (3.5%): \$175,000
Tax Rate: 35%



*Annual Payment of \$364,172 is composed of:
Principle: \$250,000
Interest: \$114,172

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Structured Sale



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Structured Sale Results

Net Annual Income	
From Rents (\$175,000 taxed at 35%):	\$113,750
Structured Sale:	\$286,712
Total Consideration Received	
Straight Sale:	\$5,000,000
Structured Sale:	\$7,283,450
Capital Gains Tax Paid (Year 1)	
Straight Sale:	\$750,000
Structured Sale:	\$37,500

**Taxes are approximated, please consult with your tax advisor for specific calculations and advice.*

Redefining the Way You...

*Protect Your Assets
Manage Your Risk
and Grow Your Wealth*

The Structured Sale from Risk Management Advisors allows valued clients to liquidate their highly appreciated commercial property and enjoy the following benefits:

*Deferral of Capital Gains Tax
Increased Income
Preservation of Income
Earned Interest*

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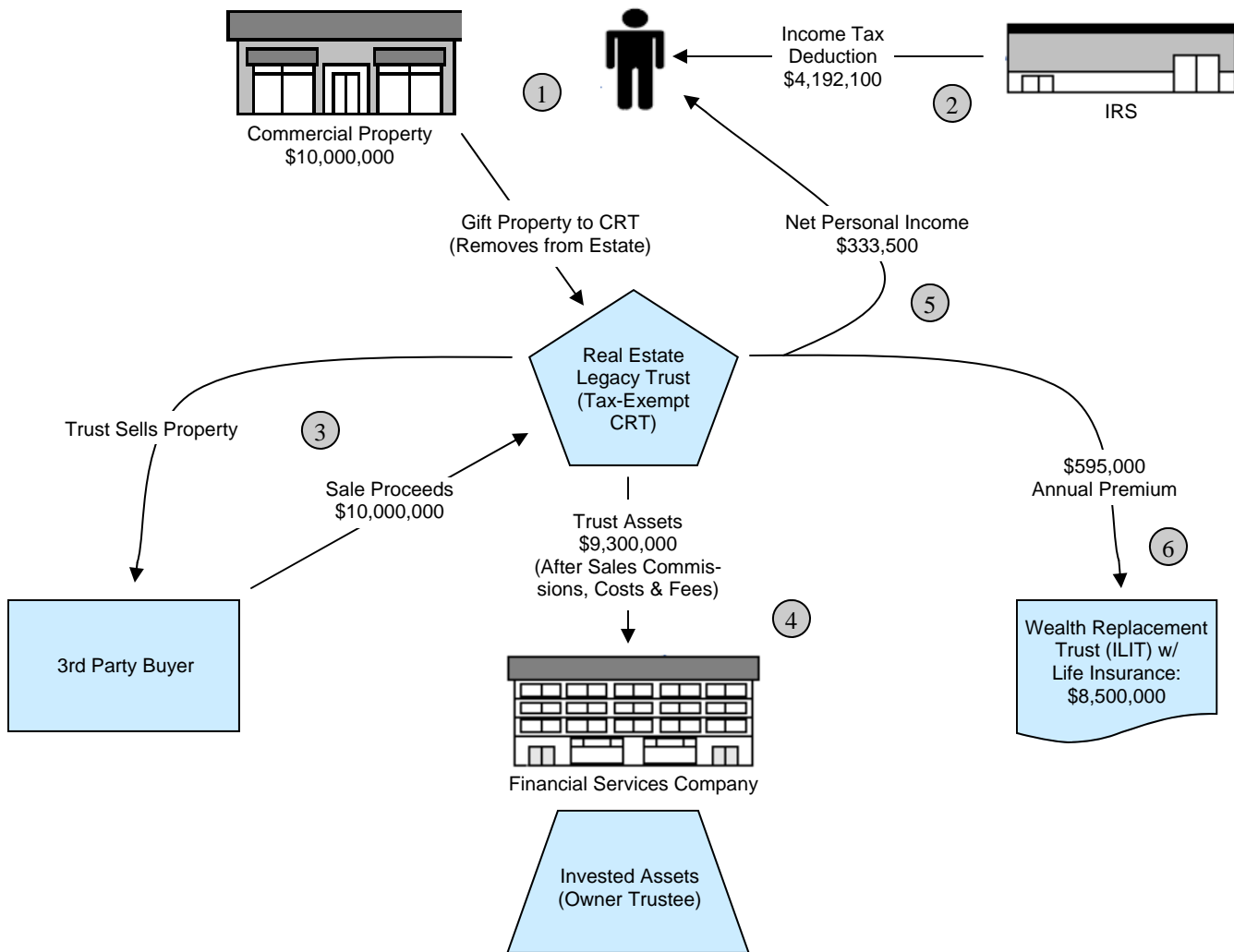
Real Estate Legacy Trust



"Redefining the Way You Protect Your Wealth"

The Situation:
80 Year Old Male
Commercial Property Owner

Commercial Property Value: \$10,000,000
Basis through depreciation: 0
Gross Income from Rents (3.5%): \$350,000
Tax Rate: 35%



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Real Estate Legacy Trust



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Real Estate Legacy Trust Strategy Results

Immediate Income Tax Deduction	
Straight Sale:	\$0
Real Estate Legacy Trust Strategy:	\$4,192,100 (carry-forward 5yrs)
Net Annual Income	
From Rents (\$350,000 taxed at 35%)	\$227,500
Real Estate Legacy Trust Strategy:	\$333,500
Assets Left to Heirs	
Straight Sale (after estate taxes):	\$5,567,500
Real Estate Legacy Trust Strategy:	\$8,500,000
Assets Left to Charity of Owner's Choice	
Straight Sale:	\$0
Real Estate Legacy Trust Strategy:	\$4,192,100

**Taxes are approximated, please consult with your tax advisor for specific calculations and advice.*

Redefining the Way You...

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Manage Your Risk
and Grow Your Wealth*

The Real Estate Legacy Trust Strategy from Risk Management Advisors allows valued clients to liquidate their highly appreciated commercial property and enjoy the following benefits:

*Immediate Income Tax Deduction
Increased Lifetime Income
Estate Preservation
Philanthropic Contribution*

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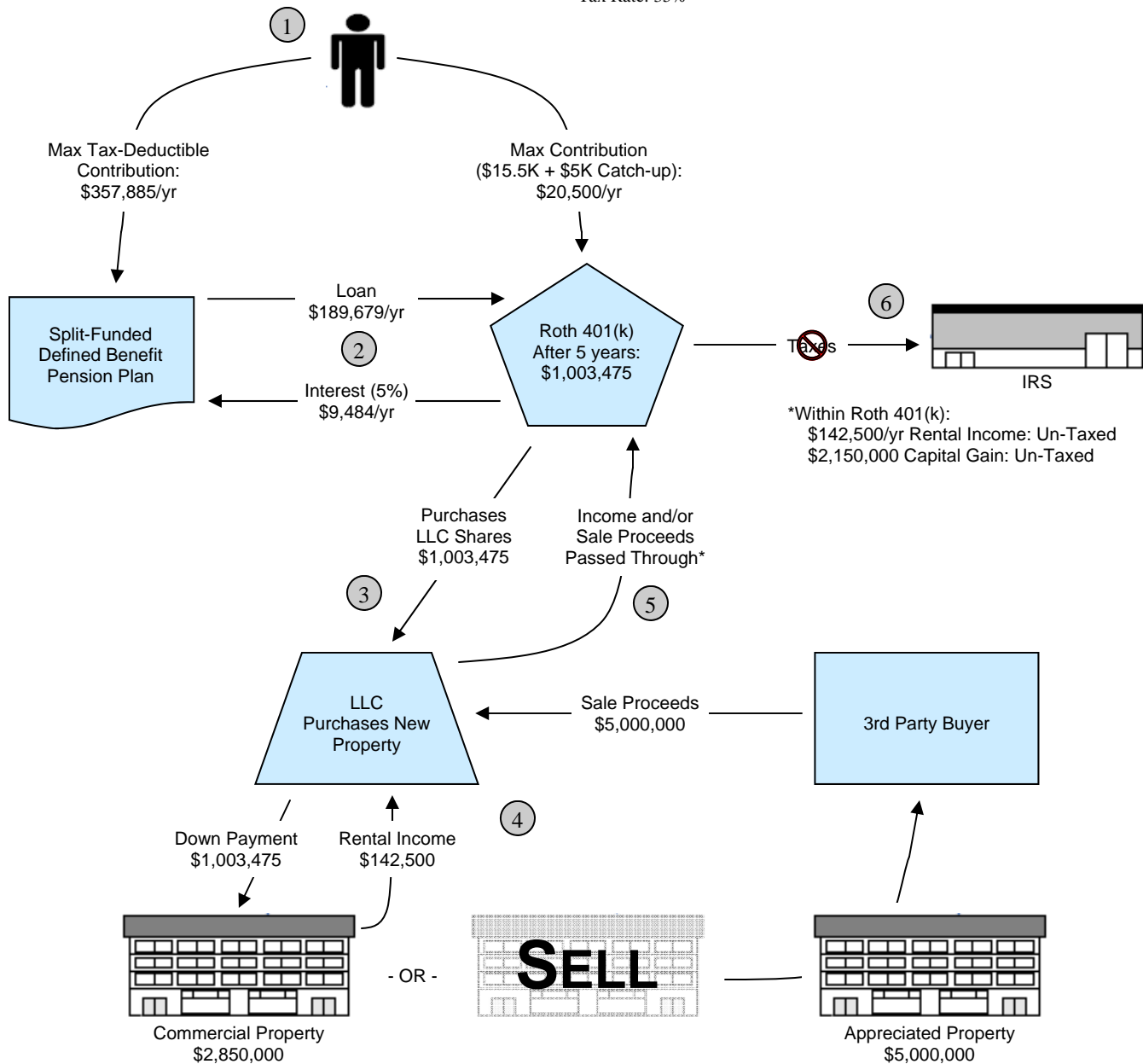
Pension Roth Strategy



"Redefining the Way You Protect Your Wealth"

The Situation:
50 Year Old Male
Commercial Property Owner

Commercial Property Value: \$2,850,000
Gross Income from Rents (5%): \$142,500
Tax Rate: 35%



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Pension Roth Strategy



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Pension Roth Strategy Results

Additional Income Tax Deductions	
Straight Purchase:	\$0
Pension Roth Strategy:	\$357,885/yr
Income Tax on Rental Income	
Straight Purchase:	\$49,700
Pension Roth Strategy:	\$0
Capital Gains Tax if Property is Sold	
Straight Sell:	\$322,500
Pension Roth Strategy:	\$0

**Taxes are approximated, please consult with your tax advisor for specific calculations and advice.*

Redefining the Way You...

*Protect Your Assets
Manage Your Risk
and Grow Your Wealth*

The Roth 401(k) Property Acquisition Plan from Risk Management Advisors allows valued clients to redefine the way they own commercial property and enjoy the following benefits:

*Additional Income Tax Deductions
Un-Taxed Property Income
Un-Taxed Capital Gains
Retirement Benefits*

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