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Picking the right Delaware Statutory Trust company - Part 1

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Investors often must juggle multiple investment options, like where to invest and with whom. When it comes to evaluating a Delaware Statutory Trust or DST investment, real estate investors should look for a firm that specializes in DST investments to help ensure their 1031 exchange is executed, with no detail being dropped.

One of the most important reasons investors need to carefully research any Delaware Statutory Trust company is because 1031 exchange investment decisions need to be made within a tight timeframe, and within strict IRS requirements. These are not easy decisions to make within the timeframe, as they require careful assessment and specialized know-how of both the 1031 exchange and DST industries.

1031 Exchange Timeline Considerations

The IRS timeline on a 1031 exchange can be extremely challenging, including completing the following steps within the specified timeframe as outlined under Section 1031 of the United States Internal Revenue Code:

1. Investors must purchase another “like-kind” investment property

2. The replacement property must be of equal or greater value

3. Investors must invest all the proceeds from the sale (i.e. the sale cannot receive any “boot”.) NOTE: A boot is a portion of the sales proceeds you receive from a 1031 exchange that isn’t re-invested in a replacement property. For example, if you sell a property for $200,000 but only re-invest $180,000, the $20K difference is known as boot.

4. The investor must be the same title holder and taxpayer

5. Investors must identify new property within 45 days

6. Investors must purchase new property within 180 days

How Knowledgeable is your Delaware Statutory Trust Company?

One of the greatest benefits of working with a specialized and skilled Delaware Statutory Trust company is that they can provide investors not only expert advice and insight into the various property options, but also provide advice on building a conservative, customized, and diversified portfolio for their investor’s. Some firms advise investors to select risky businesses like hospitality, senior care, and oil & gas industries for 1031 exchange property options. Firms like Kay Properties & Investments is focused on building conservative, customized, diversified portfolios for their clients, doing everything possible to minimize risk.

Another important investment criterion investors should consider when a DST 1031 exchange, is does the firm provide 1031 exchange investors a diversified menu of real estate assets from which they may choose, rather than forcing them to pick from limited options.

Kay Properties has access to the marketplace of DSTs from working closely with more than 25 DST sponsor companies. This allows investors to close their 1031 exchange in little as 2-3 days, and invest in quality assets within the multifamily, net-lease, self-storage, industrial and manufactured housing sectors. In addition, Kay Properties offers the industry the largest inventory of custom debt-free DSTs while other firms only have 1 or 2 available. In addition, Kay Properties provides its clients a cash-out refinance option for those investors seeking potential liquidity.

Are They Offering a Breadth of Investment Options?
One of the concerns with having limited investment options is that investors may choose to invest their money in a particular investment not because it is necessarily the most suitable available in the market, but simply because it is the best option amongst those presented to them. For example, Apple and Microsoft are often considered by some to be well managed and profitable companies, but if those were the only options presented to a stock investor by their financial advisor, that investor would not necessarily know about other companies sometimes considered by others to also be well managed and profitable in which they could diversify their holdings, such as Amazon, Google, Netflix, etc… The same is true in the world of Delaware Statutory Trust brokers.

Many 1031 exchange investors are sometimes introduced to DST 1031 exchanges by someone that only has access to one or two DST properties and/or who has very little experience/knowledge in completing and evaluating 1031 DST exchanges.

Dwight Kay is the CEO and founder of Kay Properties and Investments, LLC, New York, N.Y.

Kay Properties is a national Delaware Statutory Trust (DST) investment firm. The www.kpi1031.com platform provides access to the marketplace of DSTs from over 25 different sponsor companies, custom DSTs only available to Kay clients, independent advice on DST sponsor companies, full due diligence and vetting on each DST (typically 20-40 DSTs) and a DST secondary market. Kay Properties team members collectively have over 150 years of real estate experience, are licensed in all 50 states, and have participated in over $30 billion of DST 1031 investments.